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ADDRESSES 1982-1983

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The Empire Club of Canada
1982–1983

V. Tony Hauser

HENRY J. STALDER
PRESIDENT, 1982–1983

ADDRESSES 1982–1983

The
Empire Club
of
Canada

EIGHTIETH YEAR

GOD SAVE THE QUEEN

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An Archivist Uncovers the Early Years of The Empire Club of Canada

> If you, ladies, were to see the tired businessmen listening to some philosophic discourse in the middle of the day, you certainly would feel sorry for them, and we do not invite the ladies on those days.

This was in no way considered a sexist remark when it was made by the President of The Empire Club at a special Ladies' Night in 1920. Indeed, the vivid image of the poor, tired businessman provoked only gentle laughter from the mixed audience. Far from being a product of male chauvinism, comments such as this and the many others to be found throughout the early records were meant to be kindly references to the gentler sex. The members' wives were not expected to have to cope with profound philosophical discussions, especially at midday. In the evening, having dealt effectively with their domestic responsibilities and read the *Ladies Home Journal*, they would don their glamorous gowns to dine and dance, well insulated from the problems of the world. Colonel John B. MacLean's publication *Busy Man's Magazine* (later renamed *Maclean's* magazine) was obviously not for them.

The Empire Club of Canada, like many other similar organizations, ultimately went "co-ed." By an overwhelming vote of its membership in 1973, the club invited women to join, and today six women are on the board of directors, one, in fact, holding the office of Second Vice-President.

As The Empire Club goes into its eightieth year, something of the history of its first quarter century is being revealed in the wealth of material which, until now, was hidden in the pages of old and almost forgotten documents. For an archivist it is a delight to have access to these often dust-laden, sometimes brittle and cracked, and usually handwritten minutes and financial statements. In addition, of course, the familiar red yearbooks containing all the speeches delivered at the club since 1903 are invaluable sources of information on events and opinions of concern to Canadians at various periods since that date. Indeed, the complete index of speakers, their subjects, and their portraits published in the seventy-fifth anniversary edition (1978–1979) is an outstanding reference document for the academic, business, and professional researcher.

When The Empire Club was incorporated, the City of Toronto had a population of 208,000; ten years later, the number had risen to more than 400,000. Furthermore, between 1905 and 1912 the city more than doubled in area, due largely to a series of annexations, including North Rosedale, Deer Park, East Toronto, West Toronto, Midway (beyond the Don), and Moore Park. By the time of the First World War, Toronto had almost reached its present boundaries, with the exceptions of Forest Hill and Swansea, which were added in 1967.

Keeping pace with the growth of the burgeoning Queen City, the membership of The Empire Club, which was at first restricted to 500, jumped in 1912 to more than 1,000. Expansion continued at a somewhat slower rate and the peak of 2,857 members was not reached until 1980.

For a number of reasons – ambience, size, and cost – the club held regular weekly luncheon meetings in a variety of locations. Some, such as the King Edward and Royal York hotels, are still available. A few are no longer in existence but might be recalled by some readers: Moodey's, Dunnings Câfé, McConkey's, Câfé Royal, and the St. Charles Hotel. For their monthly meetings, the directors gathered in such evocative locales as the Brown Betty Tea Room, the Little Blue Tea Room, the Dolly Varden (not Parton!) Tea Room, and the Laura Matilda Tea Room.

During the early years of the club its members, reflecting the spirit and custom of the time, loudly demonstrated their enthusiasm for the remarks of speakers on numerous occasions. For example, there was "laughter, applause, cheers and the waving of handkerchiefs," for Dr. Alexander Graham Bell and for Major W. A. (Billy) Bishop. Equally vocal responses, adding "three cheers and a tiger," were accorded to, among others, the British actor Cyril Maud, the Reverend Canon Cody, Lieutenant-Colonel George Drew, and the Right Honourable Neville Chamberlain.

Club members may be mystified by the reference to "waving of handkerchiefs" as this expression of appreciation is no longer employed at our meetings. It was, at that time, a special form of tribute to an outstanding speaker, and was known as the "Chautauqua Salute." Chautauqua was an institution that flourished in the United States and Canada in the late nineteenth and early twentieth centuries. It provided popular education, usually combined with entertainment, in the form of lectures, concerts, and dramatic performances – often presented outdoors or in a tent. It was originally organized to educate Methodist Sunday School teachers, but it later became undenominational. The movement began to disappear with the coming of motion pictures, radio, automobile transport, and the proliferation of service or luncheon clubs in a more sophisticated society.

The waving of white handkerchiefs was first called for on behalf of a Canadian speaker, S. L. Greene, at a meeting in the United States on August 15, 1877. Mr. Greene was a deaf-mute who gave a "charmingly pantomimic lecture" which included a reading from the Scriptures. An assistant appeared with him, introducing the program and explaining the motions which Mr. Greene would be using. The audience was apparently moved by Mr. Greene's unusual kind of eloquence and reacted with spontaneous applause.

Dr. John H. Vincent, co-founder of Chautauqua, who was presiding, quickly sensed that Mr. Greene could not hear the applause and suggested to the audience that they wave their handkerchiefs instead. The whole circumstance so pleased everyone that the Salute was adopted as a special way for Chautauquans to pay honour to a distinguished guest or performer.

Empire Day (now, unfortunately, along with Dominion Day, a relic of the past) was obviously appropriate for special events in a club whose motto was "Canada and a United Empire." On two such occasions the guests of honour were the then Governor General (and Honorary President of The Empire Club), His Royal Highness the Duke of Connaught and of Strathearn, the Duchess, and the Princess Patricia. In 1912, the event was held in Convocation Hall, University of Toronto. The dinner menu was as follows:

MENU

CRAB FLAKE COCKTAIL
GREEN TURTLE – CLEAR
OLIVES SALTED NUTS RADISHES
MAYONNAISE OF SALMON CUCUMBER
FILET MIGNON FRESH MUSHROOMS
EMPIRE PUNCH
SQUAB CHIPPED POTATOES
RED CURRANT JELLY SALAD
NESSELRODE PUDDING RUM SAUCE
HOT CHEESE SAVORY
COFFEE

Tickets to this feast cost $2.50 each. This price, for a banquet of many courses, was not, however, out of line with the cost of living in the first decade of the twentieth century. Nor, perhaps, was the size of the meal exceptional for an era when dieting was little considered. As a measure of comparison, the annual club membership fee was then $2, as opposed to today's $25. The present $11 luncheon cost, on the other hand, is more than 2,000 per cent higher than the 50¢ assessed in 1912. With the cost of operating the club beginning to rise, the directors that year decided to increase the price of the lunch to 60¢. After a few weeks it was noted that attendance was dropping off and, on the natural assumption that the higher meal cost was responsible, it was returned to the half-dollar level. As this did not quite meet the cost, however, the lunches were, for a time, subsidized to the extent of 5¢ each from club funds.

In 1911, The Empire Club presented to His Majesty King George V an address in the form of an inscribed "piece of Canadian quartz, enclosed in a case of British Columbia cedar and bound with Nova Scotia steel." After its gracious acceptance the gift was exhibited to the British public in the Library of the Royal Colonial Institute in London. The club records show that the $125 cost of this gift was met by a $5 assessment to each member of the executive committee.

An incident a few months later is amusing, in retrospect, and revealing to today's executives of the club. On this occasion an "engrossed" address was presented to the Governor General during one of his visits to Toronto. As the cost was only $50 it was thought appropriate to give the five hundred members "an opportunity to subscribe not more than $1 each," the balance, if any, to be made up by the past presidents. In fact, only $6 was collected. To relieve the seven past presidents of a commitment of unforeseen magnitude, the entire executive committee was assessed a further $2 each.

During the 1914–18 war, The Empire Club was active in its support of Empire solidarity, which included several patriotic demonstrations in Massey Hall. Speeches on events in war-torn Europe and Canada's contribution to the war effort were supplemented by patriotic songs of the day, sung by the National Chorus, whose leader was Dr. Albert Ham, the organist of St. James Cathedral and the president of The Empire Club of Canada in 1915–16. The first meeting, on November 3, 1914, was addressed by Sir Herbert Ames, whose subject, "The British Navy," was illustrated by lantern slides. The songs which "aroused the enthusiasm of the assembly to unexampled fervour" included the British and Russian national anthems, *O Canada*, *Rule Britannia*, *La Marseillaise*, *March Militaire*, *Follow the Colours*, *It Comes from the Misty Ages*, *Canadians Follow the Drum*, and *Call All Hands*. At all of these rallies substantial sums of money were raised for the Red Cross.

Something of the formality (not to mention the length) of early reports to club members is indicated by the following one-sentence note in the 1905–06 Yearbook:

> It may be permitted the Editor, perhaps, to express a hope that some of these little books, of this year or preceding ones, may fall upon soil outside the circle of our Organization, in which seed, sown by speakers who have so generously given of their knowledge or experience or thought, will find fruitful results in the promotion of Canadian interests and Empire unity.

The club is still communicating to a wider audience than its members, not only through an expanded distribution of the yearbooks to school and public libraries but also by current media reports and cable rebroadcasts of speeches. The historian of the future will have ample up-to-date resource material on which to draw, but, as an ardent archivist, I return to the dusty files for more tidbits from our past.

January 3, 1983
Leland H. Ausman
Archivist, The Empire Club of Canada

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Portrait by Cavouk, Toronto

HER MAJESTY, QUEEN ELIZABETH II

JUNE 2, 1982

New Directions for the Canadian Economy

AN ADDRESS BY

The Right Honourable
Peter Lougheed, Q.C.
PREMIER, PROVINCE OF ALBERTA

CO-CHAIRMEN

Henry J. Stalder,
PRESIDENT, THE EMPIRE CLUB OF CANADA

Peter C. Godsoe,
PRESIDENT, THE CANADIAN CLUB
OF TORONTO

MR. STALDER:

Distinguished members and guests, ladies and gentlemen: Good things come in threes. And this June second, 1982, must be a lucky day for us since our guest of honour is with us today for the third time, having addressed us in March 1966 and in May 1973.

Mr. Lougheed, you addressed a large crowd once at the Maple Leaf Gardens in the Diefenbaker years but today, this foremost audience came out just for you.

The Honourable Peter Lougheed, Q.C., is a lawyer by trade and a politician by vocation. In 1965, he was appointed provincial leader of the Progressive Conservative Party of Alberta, after having created the Conservative movement out of nothing at a time when others just inherited their party organization. His style is team play; he played professional football with the Edmonton Eskimos. His approach is leadership; he climbed Mount Lougheed in the figurative sense as well as literally, on the occasion of the seventy-fifth anniversary of the Province of Alberta. Since the 1971 election campaign, we have simply been watching what "serving" has meant and means to this man. His grandfather, Senator Sir James A. Lougheed, Alberta's first federal cabinet minister, would be proud of him today.

Peter Lougheed is the advocate of free trade and the promoter of a better future. His commitment is toward one province but he has said time and again that one should work toward provincial governments which consider themselves Canadian first so as to create national unity and economic autonomy, and to give all Canadians one common goal. In a nutshell, we should all work for our future, or as David Crombie once remarked, "Tomorrow is decided by us walking the walk and not talking the talk."

Through his life's steady drive, Peter Lougheed has proved his determination. He was educated at Calgary public and secondary schools and at the University of Alberta, where he obtained both a Bachelor of Arts and a Bachelor of Laws degree. Later on, he graduated from Harvard University with an MBA.

Between 1956 and 1962, he worked for Mannix Company Ltd., where he was General Counsel, Vice-President, and Director. He left this company to enter private legal practice and finally, left his partners out of devotion to his party. It was a risky move at that time and there must have been many trying and taxing moments while he reached the decision to devote himself to the business of state. In trespassing his own barriers, he dared to question their demarcation, and by so doing he has gained a new dimension of character. Ladies and gentlemen, please welcome our distinguished guest speaker, the Honourable Peter Lougheed, Q.C., Premier of Alberta.

MR. LOUGHEED:

Mr. Chairman, ladies and gentlemen: My main theme today is the need for a reassessment of current Canadian monetary policy and its relationship to interest rates. In the next few months, Canada faces some very difficult economic decisions. There are three main options and a number of related policy issues to be considered. The first option is to continue with the current policy of real interest rates averaging five to seven percentage points above the consumer price index, the justification being the desire to contain inflation and sustain the value of the Canadian dollar in relationship to the United States dollar.

The second option is to recognize that the value of the Canadian dollar is derived as much or more by the attitude of investors to purchase Canadian dollars or retain their existing Canadian interests than it is to any margin of interest rate differential between the United States and Canada. Thus, the second option is to suspend the Foreign Investment Review Agency and alter dramatically the Canadianization features of the National Energy Program. This should encourage foreign investors to change their current negative perception and arrest the haemorrhage of Canadian investment pouring out of the country, not just by foreign investors but by Canadian entrepreneurs as well. This second option should allow for a reduction of Canadian interest rates to the extent, at the very least, that monetary policy is being used to artificially prop up the Canadian dollar.

If the federal government is not prepared to pursue the second option of encouraging investment in Canada with a dramatic new approach, the third option is for Canadians to accept the implications and consequences of a lower Canadian dollar upon reduction of interest rates. I wish to make the case today for the second option, but if not accepted, then for the third option of a lower dollar, rather than continue the current, abnormally high interest-rate position with the risk of permanent and lasting damage to many job-creating enterprises all across Canada. But first, by way of background, I believe it would be useful to review some major economic issues as they exist in Canada today, with particular reference to the implications of the slower pace of Western Canadian development as well as to the energy scene as it appears from today's perspective.

The degree of real concern over the extent of foreign ownership of our economy has to evolve beyond the simplification of polling Canadians as to whether or not they prefer, for example, to see a larger portion of the Canadian oil and gas industry owned by Canadians. Obviously, the vast percentage of Canadians are going to answer "yes" to such a simple question. But recent polls indicate quite a different answer if the question is phrased on the basis of whether or not limiting foreign ownership would lead to fewer jobs for Canadians.

Further, it needs to be explained that the transactions during 1981 by certain Canadian-owned petroleum companies in acquiring the shares of successful foreign petroleum companies in Canada merely resulted in a shift from foreign equity to foreign debt. This shift would have negative implications if the pattern of the foreign company acquired had been to reinvest the earnings and create jobs in Canada rather than to pay dividends to the parent.

Those who argued in the last federal election for such constraints in foreign investment in Canada made their arguments primarily on the basis that somehow these large foreign ownership interests threaten the sovereignty and hence, future best interests of Canadians. As I responded in this city two years ago to the Canadian Press dinner, the record of foreign investment in Canada had been very positive for Canadians, with only a few isolated cases to the contrary. I also pointed out that as the provinces own the oil and gas resources, sovereignty was a federal smoke screen for other oil and gas issues.

As you are aware, the United States government has now taken the unprecedented step of appealing the actions of Canada's Foreign Investment Review Agency to a review panel of the General Agreement on Tariffs and Trade. This action has caught the attention of investors all over the world, who now view Canada as a questionable country for investment. In addition, the clearly discriminatory aspects of the National Energy Program have resulted in an even more negative reaction. For example, a recent newsletter by Salomon Brothers of New York, a leading Wall Street investment firm, had this to say, "We have suspended research coverage of all Canadian oil firms. While we will continue to survey developments 'north of the border' the Canadian federal government's energy policies make foreign investment in that nation's energy sector unwelcome and, in our opinion, unwise."

We in Alberta have always supported and encouraged a larger Canadian ownership interest in oil and gas. The National Energy Program, however, went about it in entirely the wrong way! During the latter half of the seventies, the adjustment of tax policy encouraged Canadian investment in our own oil and gas industry through drilling funds and in other ways. True, it was not dramatic but it was a significant trend. The National Energy Program discriminates against existing long-term foreign investment in Canada's oil and gas industry. This has had the following negative consequences: firstly, it has almost stopped new foreign investment in energy in Canada; secondly, it artificially depressed the value of certain foreign oil and gas interests in Canada, which encouraged some questionable acquisitions; thirdly, to the consternation, I am sure, of the National Energy Program planners, it has caused a significant outflow of Canadian entrepreneurial investment from Canada; and finally, it has damaged most that almost fully Canadian-owned segment of the oil and gas industry – the drilling and servicing segment. Perhaps on this issue, many of you may not be aware that the current federal government's anti-foreign-ownership policy is opposed by almost every Canadian premier and is not, I believe, a policy accepted by most of the residents of the Western and Atlantic regions, and even Quebec.

The situation of investment confidence in Canada was further shaken by the federal budget of November 12, 1981. What had previously been hailed as incentives for investors were now categorized as loopholes. Many of your previous speakers have reviewed the negative investment features of last fall's budget.

As you all know, the current position of the Canadian authorities is that we must have high interest rates to reduce inflation and that our rates must track the United States rates to ensure that the value of the Canadian dollar is sustained. As high interest rates prevail for an extended period of time, a number of serious negative impacts result. Firstly, established businesses find their cash flow is dramatically reduced, so they lay off employees, postpone modernization, and try to struggle to survive. Secondly, consumers, particularly those with short-term mortgages or soon-to-be-renegotiated mortgages, defer purchases of all but necessities, which seriously affects jobs in durable goods manufacturing. Thirdly, potential growth areas like the energy sector retrench, limiting job prospects for our young and educated. Fourthly, small businessmen, farmers, and fishermen are perhaps the most seriously harmed by high interest rates and most of them did not vote for the current federal government which pursues these policies, causing resentment, alienation, and disunity, particularly in the Western and Atlantic regions of Canada. The question for Canadians is – how long can this high interest rate policy be sustained without serious long-term damage to our economy?

It is argued that the current policy of high interest rates will curtail inflation because it is based on a tight money supply theory which, it is argued, avoids too many dollars chasing too few goods and services. Others argue, on the contrary, that this is true up to a point but after a certain point, the reverse occurs. High interest rates force businesses to try to squeeze higher prices for their products. High interest rates squeeze disposable income and force demands for higher wages.

It is interesting to note that United States inflation rates are declining much faster than ours, yet interest rates are high and

The Honourable Peter Lougheed,
Premier of the Province of Alberta

money supply is tight in both countries. Why? There must be factors in the United States causing a decline in inflation other than high interest rates or tight money. One factor is clear – despite Alberta's urging, Canadians deferred accepting high energy costs in the seventies, when we could have absorbed them much more easily. This was the course followed by almost every other developed country.

Why are the current wage demands of Canadians higher than those in the United States? Frankly, I'm not sure. One possible explanation is that to a large extent, Canada – perhaps because of the pull of the Western Canadian energy boom – skipped the full realities of the last recession, which were felt more severely in the United States during 1977–1978. Also in Canada, the public sector unions play a major role in fuelling wage demand expectations. Clearly, this is a matter of growing concern to most Canadians. Are Canadian private-sector trade union leaders really prepared to sacrifice permanent job loss by some of their membership?

The public sector's share of the Gross National Product in Canada is becoming much too large and we accept the need to constrain government expenditures on an ongoing basis at all levels. However, in Alberta, for example, although our budget grew rapidly in the 1970s, the government operating budget as a percentage of the Gross Provincial Product did not increase because of the very large growth of private sector investment. It is unrealistic for business to expect government expenditure at all levels to modify quickly and hence, reduced government expenditure should not be relied upon as a solution to our immediate, serious economic situation in Canada. However, in my view, public sector wage and salary guidelines (not controls) to ensure that public sector settlements do not lead or encourage the private sector would be a useful first step in a private-sector-led recovery.

Time precludes a full assessment of the energy scene in Canada but it is desirable to sketch a few highlights. OPEC has weathered the storm with its production cuts and will emerge from the recession in control of pricing. This position has been enhanced by the deferral of oil sands and oil shale projects in North America.

The key question is the degree to which reduced oil demand is due to conservation efforts or to a slowdown of economic activity. The experts are divided on this question. It is our view that the easiest conservation methods have already been implemented and future demand will be less influenced by conservation and more by aggregate economic activity. We foresee world oil and other energy prices firming up relatively soon.

It is now apparent that the objectives of the National Energy Program will not be met. Without new oil sands production or enhanced recovery together with reduced drilling activity, the target of oil self-sufficiency for Canada has been set back and Canada will become increasingly dependent on foreign oil supplies. This will also have negative implications for our balance of payments situation. The federal Canadianization approach is proving to have many more negative than positive consequences.

We stated, when signing the energy agreement of September 1, 1981, that because of the serious and unnecessary damage caused by the National Energy Program, it would take at least eighteen months before there was a significant recovery for our conventional oil and gas industry in Western Canada. Unfortunately, this is the very time when a dynamic Western energy sector could have pulled much of the Canadian economy, and particularly Ontario manufacturing, through the current recession. The energy agreement of September 1, 1981, does, however, provide a framework for recovery. It encourages exploration for oil with world prices, it encourages exploration for natural gas by virtue of elimination of a natural gas export tax, and it caps federal taxation of the industry and creates a stable environment between governments.

Unfortunately, a number of events last fall further weakened the short-term cash flow of the petroleum industry. Continued high interest rates, shut-in oil production, and the federal budget all combined to further discourage the exploration industry in Western Canada.

We believe the corner has now been turned and the industry in Western Canada is beginning to start its delayed recovery, provided that interest rates decline soon. Our Alberta oil and gas activity plan of April 13, 1982, was a $5.4 billion program over five years stimulating and improving the industry's cash flow primarily through direct royalty reduction. It has been well received by the petroleum industry.

As you are aware, the federal government made certain adjustments to their taxation and pricing of the petroleum industry two days ago. Although these are useful and supportive steps on the road to recovery for this key industry, we expect the federal government to continue to assess the adequacy of their adjustments to the current circumstances. The petroleum industry has been further encouraged by the recent report of the National Energy Board on the export of natural gas, which has been endorsed by the federal government. Alberta is working closely with the natural gas industry on a marketing strategy for natural gas exports into the United States. And we are assessing – in the wake of the Alsands decision – different approaches to oil sands and heavy oil activity in Western Canada.

Despite these difficulties, the Alberta economy is forecasted to be the strongest provincial economy in Canada in 1982. However, the National Energy Program precluded the degree of economic activity which, as I have mentioned, could have assisted in a less serious recession in other regions of Canada this year. We are confident that the Alberta economy will rebuild as the worldwide recession phases out and interest rates decline. Our province is geared to private sector investment from all over the world. Our potential in energy and food production and processing is unparalleled. Our diversification into petrochemicals, finance, and high technology provides a secondary base for profit potential.

It is reality in Canada today that our prosperity and unity depends upon co-operation between the federal government and the provinces. Recent events have shown the interdependence between the regions. The provinces must be a part of national economic policy formulation or such policies will not work and will foster serious regional disunity. Federal elected representatives must regain the decision-making process which they defaulted to the Ottawa bureaucracy.

Before concluding on the monetary policy issue, I would like to summarize a number of economic directions which should form part of our future national economic strategy:

1. Equity markets should be stimulated by a new federal budget encouraging the risk investor.
2. Public sector wage and salary guidelines (not controls) should be agreed to by all eleven first ministers.
3. Overall price and wage controls should be strenuously resisted as an artificial solution to deep-seated Canadian economic problems.
4. Productivity improvement should be encouraged by tax incentives and management-labour consensus.
5. Government expenditure constraints should be applied to operating programs and manpower requirements – not to tax incentives or capital improvement programs like transportation facilities.
6. The consumer price index should be reassessed to determine its credibility and its inherent inflation-creating aspect as a target for wage demands.
7. Elected representatives in Ottawa should force a change in attitude by the bureaucrats toward the entrepreneur, and a new spirit of co-operation and mutual trust should be developed between business and the federal government.

Within this policy framework, let me return to my primary submission of the urgent need to reassess our current Canadian monetary policy and its relationship to interest rates. One option is to continue with a current policy of real interest rates much higher than historical levels, real interest rates, in short, being the difference between the interest rates charged and the current level of inflation. As noted, this policy is justified as being a positive factor in reducing inflation and also necessary to sustain the value of the Canadian dollar at eighty cents or more in relationship to the United States dollar.

The growing concern with this option is whether the policy is, in fact, effective in reducing the rate of inflation, but even much more serious – has it been extended for too long? A continuation of this high interest rate policy could do permanent and lasting damage to the peculiar Canadian economic mix of small businessmen and primary producers like farmers and fishermen.

I firmly believe that this permanent and lasting damage has already begun and will accelerate. We have a different enterprise mix in Canada than in the United States. Interest costs – as a percentage of cash flow – have been estimated as reaching a new high of 38 per cent at the end of 1981. This high interest rate policy should be terminated very soon.

It is also perceived as basically unfair in at least the Western region of Canada. It is perceived as a price we Westerners are forced to pay because of the vote shift – principally in Ontario – in February 1980 to endorse the Liberal Party's anti-private-sector investment policies. Westerners did not support these policies and the cost of the policies now, through high interest rates, is causing serious alienation in the Western region of Canada.

The second option involves a basic change in policy in Ottawa. Investors within Canada should be encouraged to retain their investment in Canada. In 1981, the outflow of investment from Canada was a record $10.2 billion compared to $1.7 billion in 1979. Investors in other parts of the world should be encouraged to invest in Canada by suspending the Foreign Investment Review Agency and by altering the discriminatory treatment provisions of the National Energy Program. If this second option is pursued aggressively – with actions, not just words – and supported soon by a new federal budget encouraging the risk investor, then interest rates could be significantly reduced without any marked devaluation of the Canadian dollar.

This is my personal, preferred course of action. I have to admit, though, that the prospects of such a change in federal policy are not promising, unless the federal government caucus reasserts its true parliamentary role and takes over control from the Ottawa bureaucracy.

The third option is a tough choice but is, in my view, much more preferable than option one – which is a continuation of excessive high interest rates and the risk of permanent and lasting damage to the economy and to Canadian unity. The third option is to accept the devaluation of the Canadian dollar as we lower interest rates. Should we not see what the true value of the Canadian dollar is? Should those citizens who voted for an anti-private-sector investment policy not be entitled to judge the true merit of such a policy option?

What are the consequences of devaluation? Well, first, let's not fool ourselves that we can follow this course in Canada and use exchange controls to minimize the negatives. Exchange controls would exacerbate the devaluation in any event and, in my view, would not work in the North American financial milieu. The concerns raised by those in opposition since the ten premiers proposed a "made in Canada interest rate policy" at the February First Ministers' Conference on the Economy, have been primarily that devaluation would create an accelerated degree of inflation. I believe this concern has been greatly exaggerated. This is supported by the minimal inflationary impact of previous devaluations, when the dollar dropped first from parity with the United States dollar and then subsequently dropped below ninety cents in relationship to the United States dollar. Granted, the degree of inflation arising from devaluation would be subject, in any event, to the extent of Canada's effectiveness in creating wage stability.

Devaluation would, on the other hand, result in Canadian consumers being required to change their buying habits and forsaking imported food and other products. It could well result in a real "Buy Canadian" program by manufacturers to force import replacement. It would encourage Canadians not to travel as much outside Canada but to spend their vacation dollars in their own country.

Another reason inflation concern is exaggerated on devaluation is because there is considerable unused capacity in the Canadian economy to be absorbed.

Yes, it would cost us more to service our debt but keep in mind that the Canadian dollar has actually appreciated in relationship to the currency of a number of countries other than the United States.

The degree of devaluation could also be minimized by an acceleration of permits for sales of natural gas to the United States.

Admittedly, it is a difficult decision. But if option two is not endorsed by the Ottawa government, then option three and lower interest rates at least in the short term, is, in my view, the better course of action for Canada at this time. But option two is what is needed for Canada now – a new direction for confidence and encouragement for the risk investor, wherever he comes from in the world. Canadian entrepreneurs are prepared and capable of competing with their counterparts from other countries. Let's end this nonsense of putting an investment wall around Canada.

Yes, it is a difficult time, difficult for policy makers and for all citizens. But my conviction is that Canada has not just a reservoir of resources but also of talented citizens, dynamic entrepreneurs, and of good will toward their fellow Canadians in other parts of Canada. We must build upon these strengths. Those in positions of responsibility in business, and unions, and communication, and in government must increase their efforts at communication and understanding. It is a time for candour – a time to try to explain the complexities and possible negatives of policies like so-called Canadianization. It is a time for confidence in the longer-term future of Canada. Let's not talk ourselves into a depression of doom and gloom. It's a time to rebuild, and more than anything, to rebuild the confidence and trust of investors – of the private sector – both inside and outside Canada, in the future of this great nation.

The appreciation of the audience was expressed by Peter Godsoe, President of The Canadian Club of Toronto.

JUNE 29, 1982

Dominion of Canada Day Luncheon

held jointly by
The Empire Club of Canada
and
The Royal Commonwealth Society
(Toronto Branch)

SINGING BY The Grenville Christian College Choir

CO-CHAIRMEN Henry J. Stalder,
President, The Empire Club of Canada
and
Sir Arthur Chetwynd, BT.,
President, The Royal Commonwealth Society (Toronto Branch)

SEPTEMBER 7, 1982

Swiss Monetary Policies — The Case of a Smaller Country

AN ADDRESS BY Dr. F. Leutwiler, LL.D.
PRESIDENT, SWISS NATIONAL BANK

CHAIRMAN The President,
Henry J. Stalder

MR. STALDER:

Distinguished members and guests, ladies and gentlemen: What Mr. Clausen is for the World Bank, what Mr. Bouey is for the Bank of Canada, Dr. Leutwiler is for the Swiss National Bank, the central bank of Switzerland. It was founded in 1907 to amalgamate a variety of currencies into one national denominator. Its head office is in the Swiss capital, Berne, but the central administration is located in the Swiss banking centre, Zurich. It is a legal entity in the form of a shareholders' company with majority participation by the cantons of Switzerland. However, the bank has a goodly number of private shareholders. Its foremost mission is the protection of the national currency, the control of money, and currency politics. Out of the forty members of council, twenty-five are elected by the Federal Council, among them the President and his deputy. The other fifteen members are elected by the shareholders.

Although the SNB is not part of the IMF *per se*, only an observer, it is considered a monetary institute with an exemplary track record. Its conservatism, combined with a swift and smooth mobility reacting to most trends, has proved to be amazingly efficient. The gold reserves are the myth of journalists and are thriftily kept at a nominal book value around $40 per ounce.

The Chairman and President, Dr. Leutwiler, is well known for his continuous battle against inflation in which he has been prominently successful. Once he was asked by a journalist why at times he was less successful, upon which he replied, "You can't have your cake and eat it too, which means you can't have a cheap currency to boost exports and at the very same time a strong currency to curb inflation." The international reputation today of the Swiss currency is to a great extent due to the achievement of one man, our guest of honour.

It should be particularly interesting to hear from Dr. Leutwiler on this 1982 IMF Conference for in 1978 (also at an IMF Conference), he signalled fundamental changes to occur in the Swiss franc–American dollar relationship when he addressed the Swiss American Society of New York.

After studies of economic and political sciences at the University of Zurich, he graduated in 1948 with a PH.D. on the thesis, "Wage Differentials." Four years later, he joined the Swiss National Bank as a research economist, to become subsequently secretary to the chairman of the Governing Board. He was promoted to manager in 1959 and joined the Governing Board in 1968. In 1974, he was nominated chairman of the Governing Board of the Swiss National Bank and member of the Board of Directors of the Bank for International Settlements. This year, he was elected chairman of the Board of Directors and President of the Bank for International Settlements. He also holds an honorary doctorate degree conferred on him by the University of Berne.

Not all the Swiss yodel, make chocolate, or repair watches – many are bankers and are very good at it. To them, Dr. Leutwiler is Mr. Switzerland.

Ladies and gentlemen, please welcome our guest of honour.

DR. LEUTWILER:

Mr. Chairman, ladies and gentlemen: In many countries, economic problems threaten to outgrow governments and central banks: high unemployment, high inflation rates, high interest rates, high budget deficits, and high balance of payments deficits are characteristic of disorderly economic conditions. Worse than that: in most places there are few hopeful signs for a quick change for the better.

Comparatively speaking, Switzerland seems to be in a happy state. Among the problems just mentioned, some are totally unknown to us while others are only relevant to a degree which is, by foreign standards, not disturbing.

First of all, up to now, Switzerland has stayed clear of any serious unemployment problem. Yet, in 1974–75 our country was struck by a deep recession. Measured in GNP terms, it was even one of the sharpest downturns experienced by any industrial country. However, the considerable loss of jobs was to a large extent absorbed by the reduction of the foreign worker population. We were blamed, therefore, for taking things too lightly by simply exporting unemployment. Statistically speaking, this criticism might seem to be well grounded: between 1973 and 1977 the number of foreign workers fell by almost two hundred and fifty thousand or around 30 per cent. However, no foreign workers who had the right to an abode in Switzerland were sent home. Instead, work permits for seasonal workers and borderers were simply not renewed. Moreover, many foreign workers returned to their home countries voluntarily.

Since 1977, the number of foreign workers has increased again; today it amounts to 706,000, or 23 per cent of the total labour force. This percentage is higher than in any other industrial country.

Today, Switzerland is once again in a recession. Nevertheless, the unemployment figure is still very low, at 11,000, or 0.4 per cent of the labour force. Unlike during the seventies, the number of foreign workers is *not* decreasing; should a marked worsening of the labour market conditions take place today, there would be no scope for a large reduction. Up to now the main consequence of the recession has been an increase in part-time work, which, however, is by no means alarming and has not yet led to any social hardship.

In Switzerland, the social climate is therefore still favourable. In our country, strikes have been exceptional phenomena anyway. Needless to say, the political situation is quiet, too; the Swiss government's stability has always been proverbial. This, of course, makes easier a solution to economic problems and keeps political pressure away from the Central Bank. We can do our jobs in a much less disturbed environment than many of our colleagues abroad and we do not have to care so much as to the direction the political winds are blowing.

Furthermore, the fulfilment of our tasks as central bankers is made easier by the fact that the Swiss current account does not cause us any serious problems. After years of considerable surpluses we had, in 1980, a small deficit. Yet in 1981 this gave way again to a surplus that might well be repeated this year. Problems of external debts are thus unknown to us; on the contrary, year after year, interest and dividend receipts on our foreign investments make a considerable contribution toward covering the traditional trade balance deficit.

As for the Swiss interest rates, they also present themselves in a favourable light compared to international standards. Today, for all maturities, they are lower than in any other industrial country. The often-heard complaints about excessively high interest rates are explained by the fact that in the past the Swiss were particularly lucky in this respect. Of course, we also feel the influence of the high American interest rates, but we are less "coupled" to them than other countries.

These considerations lead me naturally to discuss the Swiss National Bank's monetary policy. The results of this policy are, of course, reflected in the inflation, exchange, and interest rates. However, it is mainly through our ability to stabilize the price level that the efficiency of our monetary policy should be judged.

The Swiss National Bank has only been able to conduct a monetary policy deserving this name since January 1973, when it abandoned fixed exchange rates. Before this time, it was practically impossible to control the quantity of money: its evolution was essentially a function of the Swiss National Bank's intervention to support the dollar on the exchange market.

Formally, the current approach to Swiss monetary policy was inaugurated in 1975, when the National Bank, for the first time, fixed a target for the money supply.

In the following, I would like to explain briefly how we have managed the money supply in the last few years, the successes we had, and the disappointments we were confronted with. I shall also give a short overview of how we have tried to deal with the strong exchange rate fluctuations characteristic of the Swiss franc.

The Swiss National Bank was among the first central banks that decided to adopt a money stock target. However, the decision to adopt a target for M_1 in 1975 was not the outcome of a sophisticated piece of research work, it simply reflected the casual observation that there had been in the early seventies a fairly close relationship between M_1 and the consumer price index and that growth rates of M_1 had fluctuated around 3 per cent during periods of stable prices. As a result of these observations, the Swiss National Bank strove to lower the growth rate of M_1 to a long-range average of roughly 3 per cent. Such a policy was considered a necessary condition for achieving and maintaining an inflation-free environment. It should be emphasized, however, that the policy of well-controlled, stable monetary growth was never viewed as a policy which should be adhered to rigidly month after month, or even year after year. Rather, it was considered a medium- to long-term strategy, allowing for short-run flexibility, especially in view of exchange rate developments.

The Swiss National Bank usually determines the annual money-stock target at the end of a calendar year. The size of the target depends upon the expected and desired economic growth for the year to come and on the assumption about next year's income velocity. The quantitative setting of the target is always a compromise between empirical findings, theoretical ideas, and, last but not least, political considerations. Before the Governing Board of the Bank makes its final decision on the target, the government is informed about our intentions. However, it must be emphasized that the responsibility for defining a money-stock target rests *solely* with the Governing Board.

During the first three years this approach produced satisfactory results. The actual growth in M_1 was relatively low and conformed fairly closely to the targets set by the Swiss National Bank.

The situation changed drastically in 1978, when M_1 grew by no less than 16.2 per cent, while the target amounted to only 5 per cent. This huge discrepancy, however, was not due to erroneous control procedures, but reflected a shift in monetary policy in response to a strong appreciation of the Swiss franc.

Toward the end of 1977, Swiss monetary policy became increasingly bedevilled by exchange rate problems, owing to a strong appreciation of the Swiss franc in both nominal and real terms. By the spring and summer of 1978 this upvaluation had become large enough to open up the prospect of a drastic slump in economic activity. In order to avert a recession, the Swiss National Bank, at the beginning of October 1978, reluctantly decided to replace temporarily the target for M_1 by an exchange-rate target in the form of a floor on the Swiss-franc price of the Deutschmark. On November 1, the Swiss National Bank's efforts to push down the value of the Swiss franc were supplemented by a program of foreign-exchange-market interventions launched jointly by the central banks of the United States, Germany, Japan, and Switzerland.

The Swiss National Bank took a calculated risk when it switched temporarily to an exchange rate target. It was clearly aware of the possibility that the explosion in the money stock might jeopardize its anti-inflationary monetary policy. Through a policy of tightly controlling the money stock it had managed to reduce the inflation rate from over 10 per cent in 1974 to less than 1 per cent in 1978. The Swiss National Bank was not sure whether the switch to an exchange rate target would be consistent with price stability. However, despite the pre-eminence of price stability as an objective of Swiss monetary policy, the Swiss National Bank in 1978 could not be oblivious to the employment situation. In an effort to forestall a serious recession, it was prepared to accept a substantial increase in the money stock.

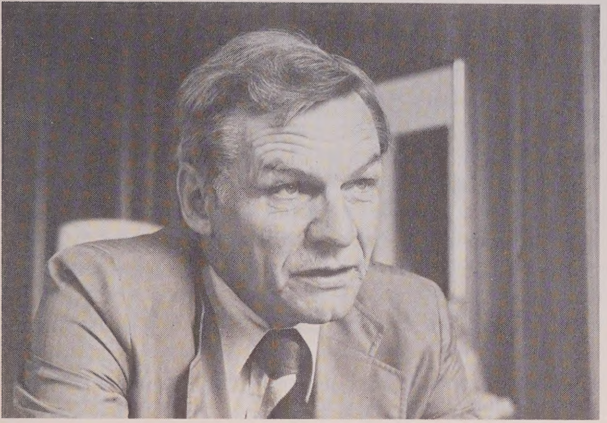
Since the Swiss National Bank did not know when it would be able to return to a policy of controlling money growth, it abstained from fixing a money-stock target for 1979. In the spring of that year, however, the turmoil in the foreign exchange market had subsided sufficiently to allow the Swiss National Bank gradually to syphon off the excess base money accumulated during the preceding months. At the end of 1979, the Swiss National Bank was ready once again to announce a money–stock target. Although the events of 1978 did not shatter its belief in the usefulness of such a target, the Swiss National Bank nonetheless decided to reassess the policy approach it had followed since 1975. After it had investigated the relative merits of targeting various monetary aggregates, it came to the conclusion that M_1 was no longer an optimal target variable. Instead it chose to target directly the monetary base. The main reason why the Swiss National Bank opted for a monetary-base target was that, unlike M_1, it could directly control the monetary base.

As we had feared, the sharp increase in the money stock at the end of 1978 ushered in a new period of inflation. Due to the restrictive policy course pursued since early 1979, however, inflation did not get out of hand. In my opinion, there is a good chance that we will be able to restore price stability in Switzerland in the not too distant future. As a matter of fact, we have loosened somewhat our restrictive monetary policy since the beginning of this year. In view of the present recession, it would be unwise to adopt an overly restrictive policy course. A very tight monetary policy would likely strengthen the Swiss franc to an extent that would cause difficulties for our exporting industries.

Compared to what the public must swallow in other countries, the current Swiss inflation rate of 6 per cent is relatively low. But for us, it is definitely too high. It would have been easy for us to push down the inflation rate more quickly by tightening monetary policy, but by doing so we would have amplified the recession. We have no intention whatsoever of implementing such a monetary policy. Although our policy is aimed at price stability, we believe that the central bank cannot be oblivious to the employment situation. Monetary policy cannot be pursued in a dogmatic fashion. After all, its fundamental purpose is to create and maintain a healthy economic environment. Price stability is not an end in itself, but a crucial precondition for the central bank being able to achieve this fundamental aim.

Although the Swiss National Bank handles its monetary policy in a flexible manner, we do not alter the course of our monetary policy after every minor change in exchange and interest rate conditions. The experience of the Swiss National Bank during the past years has confirmed to a large extent the monetarist's position for a non-activist monetary policy. We had to realize that the short-run relationships between monetary actions, interest rates, exchange rates, and nominal GNP are much more subtle and complex than standard models lead us to believe. Recognizing that lags are variable and hard to predict, the Swiss National Bank is sceptical, to say the least, about its ability to control in the short run interest rates, exchange rates, or monetary aggregates (except the monetary base). Therefore, we have become more and more convinced that the pursuit of a *medium-term* target for the monetary base is an optimal strategy. Short-term money-stock targets are not regarded as a helpful device for the market. In many cases, they even confuse market participants and do not help the investors in any way.

What is needed today is to convince the markets that the



Dr. F. Leutwiler, Chairman of the Swiss National Bank

monetary authority will permanently lower the growth rate of the monetary aggregates. However, given the rather low credibility of most central banks today, neither monetary targets nor the best monetary control procedure will be enough to convince the market participants. A central bank should simply lower the monetary aggregate growth rates. It is nevertheless clear that such a policy should be implemented gradually and with care in order to minimize the short-run negative effects on the level of employment. The safest way to lower these growth rates over time is to reduce the monetary base growth rate. Though not always true in the very short run, the correlation between the monetary base and other monetary aggregates is so close that a central bank should never fail, by lowering the growth rate of the base, to reduce the growth rates of monetary aggregates. A monetary base approach can, therefore, lower the uncertainty about the long-term trend of the monetary policy. This might be regarded as a small contribution. By considering the frequent failure of central banks to bring monetary growth under control, it would represent a big step forward towards a more stable and non-inflationary economic growth.

Being Canadian, you know of course that a small, open economy cannot pursue an economic policy independently of the international environment. Clearly, stability begins at home; but Switzerland is not an island in the middle of nowhere; it is exposed to many outside influences. We do business all over the world; we harbour an international finance centre and the Swiss franc is an international reserve currency. Therefore, and more than any other country, we are dependent upon others. We are thus still a long way from an ideal independent state and there is little chance that we shall ever reach it. This, however, does not release us from the burden of pursuing in economic policy the way we think to be right, even if this way is difficult and tortuous.

The appreciation of the audience was expressed by William M. Karn, a Past President of The Empire Club of Canada.

OCTOBER 1, 1982

The Canadian Economy

AN ADDRESS BY The Honourable Joe Clark, P.C., Q.C.
LEADER OF THE PROGRESSIVE CONSERVATIVE PARTY OF CANADA

CO-CHAIRMEN Peter Godsoe,
President, The Canadian Club of Toronto
and
Henry J. Stalder,
President, The Empire Club of Canada

The guest speaker was introduced by Peter Godsoe, President of The Canadian Club of Toronto.

MR. CLARK:

Mr. Chairman, ladies and gentlemen: I am here to talk about the Canadian economy – about what is wrong and what might be made right – but more particularly about what I believe to be some of the basic causes that made things go wrong, causes that I find in the public sector, not in the private sector, that I believe have to be addressed.

I will speak today of some of the forces that I believe I, as the Leader of the Opposition, have to fight. I think it will also be valuable if I identify what I see as quite fundamental, almost inspirational problems for the country – inspirational in that they inspire many of the other difficulties into which the present government has fallen.

The essential fact about the Canadian economy is not that things are bad. The essential fact is that things are much worse than they need to be in a country like Canada. Of course, we share the effects of world recession. Everybody understands that. But more important than the world weaknesses we share is the use that we are making of those special Canadian strengths that can lead this special country to recovery.

We are part of the world, but we are not helpless in the world. We need to use our natural strengths. Instead, we have been wasting them.

You know the statistics of Canada today. Each working day, 2,200 Canadians who hold a job, lose that job. That means that there are 2,200 Canadians who were working yesterday who are not working today. On Monday, 2,200 people who are working today will not be working. In the last year, 573,000 working Canadians lost their jobs. I'm not talking about people who might want to come into the work force, but about people whose job was the basis of their own security, their own planning, whatever sense of the hope they brought to their families.

The rate of business failures this year has increased 40 per cent over last year and we have just recorded the largest number of farm failures in the history of this country.

Internationally, the European financial journal, *Euromoney*, compares the overall economic performance of various countries. That has helped me to put some things in perspective because in that comparison, Canada, in terms of overall economic performance, is in fortieth place. And we are behind, to name a few, Mexico, Belgium, Syria, and Papua New Guinea.

We are here to cure Canada's economic problems. In order to set things right, we have to understand what has gone wrong in the country. I want to address that question on two levels today: first, to identify what has gone wrong and how it can be set right; and then to suggest why the nature of the present government made those mistakes almost inevitable.

Essentially, the three fundamental policy mistakes that have deeply aggravated Canada's economic problems are as follows:

The first mistake was for the Trudeau government to actively create the reputation that Canada is hostile to private investment and to private initiative. The National Energy Program contributed to that reputation. The extravagant use of FIRA contributed to that reputation. The Liberal budgets have contributed to that reputation.

In some quarters, as you know, that hostility to investment has masqueraded as an attempt to preserve Canadian control. Let's set that right immediately. In fact, the present government has acted just as aggressively against Canadian investors as it has against foreigners. The issue is not the nationality of the investment. The issue is the idea of private people making private plans for pursuing private ambitions, and making those grow into something great. It is the idea of ambition, not the nationality of investment, that the Trudeau Liberals oppose.

That was made dramatically clear in the Liberal budgets – which taxed employee contributions to private health plans and which, in various versions, attacked MURBS, RRSPS, IAACS, registered pension plans, attacked virtually every other instrument that encouraged individual Canadians to invest in the Canadian economy. So we have as a legacy a reputation in a country that was built on investment of being hostile to investment.

The second mistake is the Trudeau government's consistent attempt to impose centralized control in a country in which diversity and initiative are the essence of our nature. That blind centralism poisoned federal-provincial relations in this country; it killed the Alsands project, the Cold Lake project, the Judy Creek project, and several other endeavours in the energy sector that could have gone ahead with a better spirit of co-operation. It nearly split the country on the one issue that should unite us, the issue of the constitution.

Central governments that try to control too much inspire neither co-operation nor confidence.

The third mistake has been that the Canadian government, for a long time (with one brief nine-month exception), has treated its deficits too lightly. Our twenty-billion-dollar deficit today – if it is that low – is a result of three factors: the spending spree of the late 1960s and 1970s based on the apparent Liberal belief that the government governs best which spends most; the fact that government revenues fall and government expenditures increase when governments throw productive enterprises out of work and force productive people out of work; the fact that extravagance simply becomes a habit.

I have spoken on other occasions of the immediate actions that a new government would take to restore confidence. We believe that confidence in Canada as a place to build and invest is the cornerstone of the economic recovery we seek.

Within weeks after Members of Parliament were formally declared elected, we would convene Parliament and introduce either a new budget or a comprehensive economic statement with four major goals.

The first would be to act immediately to re-establish Canada's reputation as a nation that welcomes and encourages private initiative. We would change FIRA – not eliminate it – to focus quietly on those major transactions which affect Canada's vital interests. We would replace the statist National Energy Program with energy incentives for the Canadian private sector. We would restore the Canadian tax incentives, now re-christened loopholes, which the Liberal budgets of November and June tried to strip from the Canadian system. In short, we would respect Canadian ambition, not restrict it.

Secondly, we would stop using interest rates to draw back the investment which the statist policies of the Liberals drive away. That would bring Canadian interest rates down.

Third, we would help the worst victims of the recession. That is the way we approached our responsibilities in 1979. We introduced a mortgage tax credit proposal that, if it were in effect today, would be paying up to $150 per month to the average Canadian with a mortgage. That means that a lot of people who have lost their homes would have their homes today; it means spin-off jobs through the construction industry, the furniture industry, the appliance industry.

We proposed an energy tax credit to help Canadians cope with rapidly rising energy costs. We introduced the small business development bond to help small business survive high interest charges. We would act in that spirit again to help protect the worst victims of the recession.

Finally, we would launch a comprehensive four-year program of deficit management. I have not had an opportunity to read anything but the headlines on the Economic Council of Canada report; they suggest in a limited context that we should not be preoccupied with the deficit. I don't want to comment on their report until we have read it, but I want to make it clear that we believe that a fundamental element of any program of economic recovery in this country has got to be for the government of Canada to get its own spending under control and we have to begin to get that deficit down and to spell out to Canadians how that deficit will come down. I have no doubt at all that some government spending can be stimulative but there is no doubt either that a massive deficit and no apparent attempt to cut it out will drive away and keep away investment which would be much more stimulative than government spending, if that investment felt it were welcomed and effective here in Canada.

Our goal will be to cut the deficit in half between 2.5 per cent and 3 per cent of gross national product. Our tool will be the weapons against waste that we introduced as a government: sunset laws to eliminate unnecessary programs; strict control of the spending and of the activities of Crown corporations; parliamentary control of public spending; privatization of some Crown corporations; elimination of the duplication of government services; overlap between federal and provincial authorities; stopping government waste.

That sounds like a familiar list – something anyone could say. I remind you that in nine months in 1979, my government cut Canadian government spending by five hundred million dollars. We just got started, and we want to continue what we started because we are convinced that a combination of growth in the private sector and restraint in the public sector can get our deficit down and keep it down.

Those changes, in our judgement, would move the nation toward economic recovery. I want to make the point today – in a sense the more important point – that the Canadian malaise runs deeper than a federal deficit, deeper than an unpopular federal agency like FIRA, deeper than a constitution which our most unique province declined to sign. In every modern country there is a sense that particular policies or particular agencies aren't working, but in Canada, to an alarming degree, there is a sense that our very system isn't working. That is the one idea which is common to the *Péquiste* in the province of Quebec, to the coal miner out of work in Cape Breton, to the bank teller whose job is literally disappearing to technology, to the newest, most freshly minted separatist in the province of Alberta, or to the rising tide of individuals who are not just angry but enraged about abortion or interest rates or crime or about some other singular question which our system was once considered capable of resolving and now is not.

We have had times of doubt before and all societies are going through some periods of some disorder but what is happening in Canada is different both because the dissatisfaction is so dispersed and because we are coming apart at the very time when naturally we should be coming together. That point, I believe, is important.

In recent years, this country has grown together but has been led apart because the national government of the day fails profoundly to understand the nation that Canada has become.

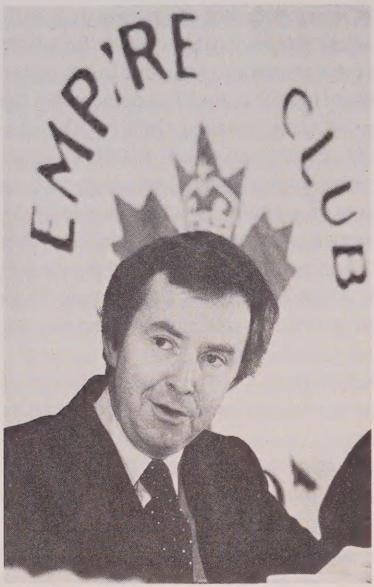
One of our comforting clichés is that Canada has always been difficult to govern because we are large in space, diverse in nature, and just a little adolescent. We are not quite fully formed, we are not mature enough to be allowed to grow without guidance. That has been the cliché. I suggest to you that on the record of the last ten years in Canada – whether in economic initiative, whether in the arts, in cultural work, wherever – it is time to re-examine that notion. We have been a young country for a long, long time. In the last few years we have grown up as a national community. Two dramatic regional examples: Quebec and the West. For generations, French-speaking Quebecers looked inward to their culture, cloistered in their families, their church, their province. That era is over. The Québécois now assert their pride as a people. Of course, one face of that assertion is separatism but at its core is a self-confidence whose natural expression would not settle for a little place but which seeks a large country to grow in. In my native region, the West, we have been haunted for decades by the suspicion that we were not quite equal to Ontario. The new West, with its new wealth, feels equal today. It feels an equal partner, as Quebec in a psychological and cultural way, feels an equal partner. That sense of equality is what has made the difference. For different reasons, all the regions in the Canadian family now feel strong. To an increasing degree, our people feel we are a family together, a family of equals, each strong. What has gone wrong is that our government has not acted the way our people feel.

It is a government profoundly out of step with the people of Canada, not just out of step with our needs, but fundamentally out of step with our nature.

The Canadian government of the 1980s is responding to the Canada of the 1950s. Their preoccupations, the issues which really deeply animate them are – if you list them – to resist Quebec nationalism, to resist American values, and to fabricate a Canadian identity that we are too feeble, as a poor immature people, to develop for ourselves. What they have overlooked is that while they were wrestling with the ghosts of Maurice Duplessis and Dr. Strangelove, this country evolved an identity which includes a Quebec nationalism which is anxious to express itself as a part of Canada and an identity which includes the North American values of individual initiative that came with our pioneers to both sides of the forty-ninth parallel. Indeed, that is the very value that caused many of our people to leave the old world and to come here for freedom.

We have become a strong, confident, innovative country that wants to move forward but we are led by a government that is literally out of date and that keeps pulling us backward.

To make a point about the role of governments: with the creation of the CPR, the CBC, the Bank of Canada, the Wheat



The Honourable
Joe Clark, Leader of the
Progressive Conservative
Party of Canada

Board, the Canada Council, the Ottawa government was an instrument of Canadian identity and Canadian confidence. What counted then was not that Ottawa acted but that Ottawa acted appropriately. The governments of those days understood the Canada of those days and government actions were an encouragement of natural forces, not an obstacle to them.

Contrast that with today. You look at Canada – what has been happening to us over the last few years – and you wonder if Lewis Carroll wrote the script for this country.

We have just spent nearly two years on a constitutional policy that excludes specifically the one province we are trying most to make feel at home. On the road to that process, we very nearly succeeded in dividing deeply the Canadian family – dividing us in the name of unity.

We have an energy policy that dismantles our megaprojects and drives away the Canadian companies and the Canadian entrepreneurs who have been finding oil and gas for Canada.

We have an economic policy that frustrates domestic investment, that frightens foreign investment, and that forces hundreds of thousands of Canadians to lose their jobs.

That is happening because the government is governing against the nature of the country. It quite literally does not understand what is going on in Canada. If that would be unfortunate at any time, it is tragic now, when forces of regional pride, private ambition, and international circumstance converge to bring Canada both a maturity and an opportunity we have never known before.

The 1980s can be the decade of Canada if we get rid of a government of the 1950s.

I have spent the better part of my life in politics, in the belief that we in this country have an incredible potential and some very special responsibilities, and also in the belief that we live in a land that has been, literally, fabulously endowed.

Our common attitude is not one of anger and frustration. Our common attitude is a spirit of adventure and hope. At no time in our history has it been more crucial for us to understand who we are, what our real options are, and what our promise is.

I say this to you today, because I think two things are happening in the country that are dangerous. One is that beneath all of the problems we see – people losing homes, farms, businesses, and jobs – there is a deeper loss. There is a loss of faith, a loss of hope, a loss of the Canadian dream, the idea that a person could come here and build and have the opportunity to make something of his or her life, family, and future.

That has been the motivating dream of this nation and I see that leaking away as I travel across the country in these times.

The second thing that is happening is that many people, acutely concerned about the state of the country, anxious to make any program work that looks like it is a step in the right direction, are suggesting that there might be some quick and easy fix. There aren't quick and easy fixes. There are, however, some basic principles to which we should return.

One is that governments should reflect the country, not frustrate it.

Another is that in a nation like this, we have to recognize that our fundamental reason for being and our fundamental force of growth has always been to encourage the ambition and the creative spirit of the individual, ordinary person. That is what this nation has been about.

A third is to recognize that while nations grow up a long time, they suddenly reach a point of adulthood. The adolescence is over. Canada, the adult nation, has arrived and we should be treated as an adult nation, a nation in which provinces and people are likely to make better the decisions that pertain to them than someone in Ottawa giving them guidance.

I am not here simply to criticize a specific policy or underline a specific failure of a government. I am trying to indicate something far more fundamental that has gone wrong.

We have a government that is out of touch with the country. I don't know how someone who is out of date gets over that.

I have a solution, but I don't think it will be accepted.

So we have to wait for a year, or two years, and I have to go on doing my job, but I think it very important that people beyond me and my party reflect upon the validity of the observation that we have a government preoccupied with responses to questions that no longer exist and that their preoccupation with those questions is creating new problems that are not natural here and that are causing deep frustration and a great erosion of hope.

At a time when that hope is eroding, when that sense of the strength of Canada as a place where dreams can be built on is slipping away, please do nothing yourselves to contribute to that. Please, at every opportunity, indicate to people who might be angry at the government that there is a difference between what the government has done and what the country can do.

Ours is not a land in which we should lose hope. It is very much a land in which we need to change direction but the direction should be toward respecting those instincts of Canadians to build. The direction should be toward encouraging Canadians again to move towards that goal of accomplishment, to mount their own ambition, and to do so knowing that we live in a land of boundless hope.

The appreciation of the audience was expressed by Henry J. Stalder, the President of The Empire Club of Canada.

OCTOBER 7, 1982

The Future of the Canadian Establishment

AN ADDRESS BY Peter C. Newman, O.C.

CHAIRMAN The President,
Henry J. Stalder

MR. STALDER:

Distinguished members and guests, ladies and gentlemen: Our guest of honour is in his fifties, was born in Europe, and raised in Canada. He attended Upper Canada College, the University of Toronto, and McGill University. He holds a Master's Degree in Economics.

He started his career as Assistant Editor of *The Financial Post* in 1951, after which appointment he became *Maclean's* Ottawa editor. He then joined the *Toronto Daily Star* where he was promoted to Editor-in-Chief. He returned to *Maclean's* in 1971 and was elected a Director of Maclean-Hunter Ltd. in 1972. Ten years later he became Senior Contributing Editor and today, I guess, he is a free man.

But I would say that years ago Peter Newman had already gained his intellectual and material liberty through his books: *Flame of Power*, *Renegade in Power*, *The Distemper of Our Times*, *Home Country*, *The Bronfman Dynasty*, *The Establishment Man*, and, of course, *The Canadian Establishment*, parts one and two.

A man of many talents he is indeed: a Commander in the Royal Canadian Navy, a gold miner and a sailor, an Officer of the Order of Canada, but first and foremost, he is a writer. As such, he has been awarded the National Newspaper Award for Feature Writing in 1966; the CBC's Wilderness Award for Best Television Documentary of the year in 1967; the Michener Award for Journalism for the CBC television series *The Tenth*

Decade in 1971; the President's Medal of the University of Western Ontario for the best magazine article of 1973; an honorary doctorate of Jurisprudence from Brock University in 1974; an honorary doctorate of Letters from York University in 1975; the Quill Award as Journalist of the Year in 1977; and, in 1981, the ACTRA Best Television Program of the Year for two programs on *The Canadian Establishment*.

The Empire Club of Canada has followed all these exploits and it has become almost a tradition to see Peter Newman among our speakers every ten years or so – in 1963, in 1972 and again today in 1982. Not too many have been invited thrice. I looked at his last speech and must add to his list of qualifications one that I have not mentioned: Peter is an outstanding ornithologist. I base this on his finding that "Pierre Trudeau, of course, is a bird of a very different kind."

But let me get away from derogatory political remarks and concentrate on matters pertaining to our club and to Peter's remarks on clubs in general. In the 1975 edition of *The Canadian Establishment*, Peter remarks: "These clubs function as sanctuaries, protecting their incumbents, however briefly and artificially, from the distasteful realities of contemporary society."

Hear, hear!

Of course, you were referring to the leather-armchair houses but I am convinced that in a volume to come we are bound to read about the closets of The Empire Club and the low rumblings at our board meetings.

To be dealt with by Peter Newman makes one proud and apprehensive at the same time, for he is Canada's foremost chronicler of power, the top political and business writer in our country.

Ladies and gentlemen, please welcome Peter C. Newman.

MR. NEWMAN:

Ladies and gentlemen: Allow me to split my subject in two: to talk first about these 1980s in which we find ourselves, and then to speculate on the future of the Canadian Establishment.

What forms the perception of any decade, what gives urgency to the expectations of its survivors and allows its participants a rationale for their actions, is some deeply shared, common experience.

It was the excitement and agony of World War II that formed the forties; the somnambulism of prosperity that symbolized the fifties; the nerve-wrenching detonations of social, sexual, and political change that shook us up during the sixties. The tumble of events of the seventies added up to no discernible pattern of structure. But at least we survived. Back when that decade started, we had a freshly minted leader in Pierre Elliott Trudeau, a cool man in a hot world doing his grainy thing, maintaining a sense of inner repose and outward excitement, reminding us that we were a young nation with unexploited possibilities. The Mounties and their musical ride were still our finest international ambassadors. We counted for something in world councils. The OECD in Paris proclaimed that our economic future had few limits. Sir Wilfrid Laurier's long-awaited pledge about the twentieth century belonging to Canada seemed about to be fulfilled. In Quebec, on January 17, 1970, Robert Bourassa, who billed himself as a reformer (at least that hasn't changed) became leader of the Quebec Liberal party and 102 days later swept the polls on a straight federalist ticket.

Now, a little more than a decade later, René Lévesque's government is firmly ensconced in power, poised to call an election on its separatist intentions.

The most dramatic change has, of course, been in the state of our economic health. The intractable dual phenomena of high unemployment and rising inflation are draining our economic vitality.

Inflation always takes a *social* as well as economic toll. J.H. Plumb, the British historian, has noted that "one of the ironies of inflation is that it forces governments to attempt complex remedial measures that rarely have any effect except to intensify class bitterness on the one hand and distrust of government on the other."

Price revolutions always bring in their wake the breakdown of faith in institutions, a loss of belief in the future, and an end to optimism; the middle classes feel squeezed, and the children of the middle class feel dispossessed.

In Canada at the moment we have no viable political options. Pierre Trudeau and Joe Clark have both reduced their parties to little more than organized appetites for power. Clearly, the realization of Canada's full potential – the salvation of our remaining patrimony – lies not so much between these Bobbsey Twins as beyond them.

No surge of insight intrudes into the conscience of either man. In judging which future politician might be suited to the task of shaping our tomorrows, it seems to me that a relevant rule of thumb might be the "men and the boys" theory once put forward by Eric Sevareid, the American political commentator. According to Sevareid, the "boys" in politics are those individuals who want position in order to *be* something; the "men" in order to *do* something.

There is one way to replace the "boys" we now have in Ottawa with "men" who could do the job.

Having exhausted our viable political options and rapidly running out of the time necessary to reverse the economic catastrophe threatening to engulf us, I suggest that the only course of action is to constitute a *national* government that would recruit the best talents available in the country and mobilize public opinion in an all-out effort to reverse the existing business climate.

We have had limited forms of national coalition governments before, during the exigencies of wartime and this, surely, is no less an emergency. Why not, for once, forget partisan considerations and place into power in Ottawa a group that will dedicate itself not to politicking, but to governing?

This, it seems to me, may be the only way to salvage this country's magnificent potential. I believe it can be brought about by the simple means of good men and women standing up to declare their defections from traditional political alliances.

They would enlist themselves in the formation of a federal administration that would represent the compassionate talents of this country's best brains genuinely dedicated to seeking a way out of the worsening economic dilemma in which we find ourselves.

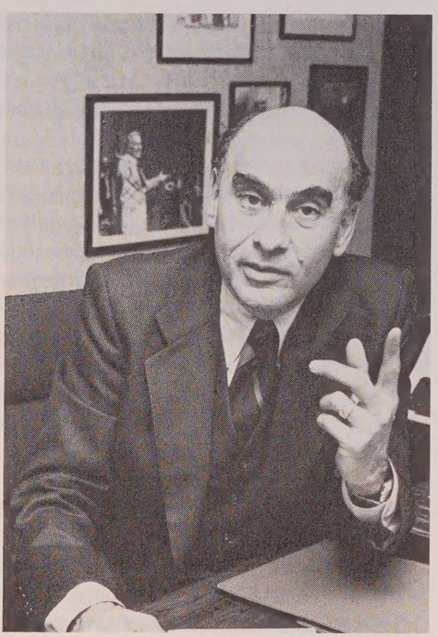
Reflecting the state of emergency that exists, Ernane Galveas told the International Monetary Fund meeting here last month: "If the industrialized countries who determine the future of the world sit as if paralyzed – how long can the social fabric endure?" As Brazil's Minister of Finance, he should know.

What I find really scary about the current state of affairs is the dramatic deterioration in social behaviour which the worsening economic climate may bring about. The lenten conformity and soothing instinct for compromise that characterized the Canadian way in the past are no guarantee for the future. The craving for order and obedience, historically so dominant in this peaceable kingdom of ours, is being replaced by confusion and anarchy reminiscent of the swaying bleachers at a Rolling Stones rock concert.

This widening dichotomy of trust between the governors and the governed is not limited to the radical young or the financially strapped. Pent-up resentment of authority burns across the land, with ordinarily placid middle-class citizens accusing politicians and bankers of lies and damned lies.

It is a socially bruising process, a time of lost touchstones and besieged institutions – the unruly passage from acceptance of closed-shop authority to a militancy questioning traditional power groupings.

The once-smug burghers of a once-smug country are staging a silent *coup d'état* against the notion of having the big personal decisions made for them by self-selected hierarchies. This is



Peter C. Newman

true not only of governments, but of business, unions – and even families.

It was probably Pierre Trudeau who inadvertently set off the process. His insistence on drafting a new Charter of Rights prompted many Canadians to re-examine past dues, present entitlements, and absent powers. In gaining their own constitution, Canadians came of age in a curiously uncharacteristic way.

It was not pride of independence that dominated the national conscience of a country suddenly and very belatedly untied from Mother Britannia's apron-strings. It was a scream of defiance against usurious interest rates and spirit-crushing inflation. Unemployment in Canada has already created a horde of jobless far greater than the ranks of the country's entire armed services during World War II. Things are bound to get worse before they get better.

Like a debutante who strayed into an abattoir, Canada finds herself in a bitch of a decade.

During most of our brief existence as a nation we were all but exempt from the terrors of modern history, a lucky people inhabiting a wonderful hunk of geography. For a hundred and fifteen years the superstructure of Canadian society remained relatively undisturbed. But now, as we begin to grapple with the economic fire storm threatening to engulf us, it seems to me that only one direction offers any hope of success: rallying Canadians from all provinces into a non-partisan movement dedicated to the idea of preserving the Canadian economy and Canadian society – even if in radically altered form. This new-style nationalism (or better to call it patriotism) would promote in a thoughtful manner the many ways in which Canada's business community and consumer society can be revived.

The most important question Canadians are asking themselves these days is this: are we in a recession or a depression?

The difference is mainly one of degree. A depression is nothing more than a long recession. If you get bad news long enough, attitudes change and the prospect of an economic upturn keeps being postponed. This produces a difference in attitudes. When a factory is closed during a recession, for example, it's mothballed. In a depression, it's allowed to rust.

Even if comparisons are odious, sometimes they're relevant.

Argentina has an inflation rate of 100 per cent. Zanzibar has an unemployment rate of 60 per cent. Obviously, the Canadian economy is relatively healthy – even now.

What is really happening here is what the economists call "a self-feeding liquidity crisis." In English, this means that unlike a recession, which has within itself correcting devices so that as inventories drop, people start buying again and factories reopen, a depression feeds on itself, with each downturn accelerating the plummeting spiral. This means also that eventually our banks may not be able to carry their ballooning debt loads.

We have a well-run and relatively safe banking system, but if enough companies and countries to which they have made loans go broke, even our banks will not be safe.

This is the most frightening prospect of all. It must not be allowed to happen. Only the declaration of a full-scale economic emergency, with a *national* government which has deliberately jettisoned petty partisan motives, can stop it.

Speaking of high debts and the inability to pay off loans, of course, brings me to the acquisitors, that brave and fascinating group of entrepreneurs who peopled my last book. Their corporate appetites knew no bounds: between the summer of 1975, when the first volume of *The Canadian Establishment* was written, and October 1981, when the second volume appeared, companies worth more than $55 billion were swallowed up during the greatest wave of corporate cannibalism in Canadian business history. Nobody seemed immune from the riptide of takeovers, and some bizarre corporate marriages were consummated. A major distiller (Hiram Walker), for instance, formed an unwieldy combination with Consumers' Gas. (The only way the merger might have worked was to pipe Canadian Club into peoples' basements.)

If I were to write *The Acquisitors* today, it would be a much thinner volume, titled *The Survivors*.

But the Canadian Establishment *is* and always *will* survive. As the economy entrenches itself on the downside of Canada's greatest period of sustained growth, the ancient concept of commercial proprietorships is being reasserted in high-yield, beat-inflation investments. Against all odds, old entrepreneurs are begetting new entrepreneurs. In the face of a narrowing range of economic opportunities in a country with fewer and fewer independent corporations and significantly declining manufacturing output, new fortunes are still being minted. Men like

Conrad Black, Ken Thomson, Galen Weston, Doug Bassett, Ted Rogers, Hal Jackman, the Eatons, the Sobey brothers of Nova Scotia, the McCains and Irvings from New Brunswick are all surviving very well indeed. Unlike most élites, who drive themselves into oblivion through the congenital profligacy or genuine idiocy of their offspring, Canada's Establishment has managed to spawn an impressive clutch of inheritors.

Members of an enduring power network, they possess a dominant ethic easily distinguishable from that of their more acquisitive cousins: feeling themselves secure within the establishment's hermetic confines, the inheritors recognize that however elusive and abstract the precise quality of their adherence might be, their style is more easily envied than copied. Their self-confidence remains rooted in the notion that their way of doing things is the enemy of pretence; that unlike fashion, grace can never be purchased. Character and elegance, so their prevailing wisdom goes, ultimately depend on inner conviction – which is why, unlike the acquisitors, the Establishment's very own inheritors can command attention without appearing to crave it.

The appreciation of the audience was expressed by Joseph H. Potts, Q.C., a Past President of The Empire Club of Canada.

OCTOBER 14, 1982

Reminiscences of the Group of Seven

AN ADDRESS BY A. J. Casson, R.C.A., LL.D.

CHAIRMAN The President,
Henry J. Stalder

MR. STALDER:

Beauty lies in the eye of the beholder. Awareness is created by the number of people knowing about a particular beauty. Acceptability stems from the approval of both the scholars and art lovers in general. Preference is reached by quality, harmony, ingenuity, uniqueness; by a personal style which unites values of the craft with innovation and progress. A master is one who can amalgamate these factors and excel in each of them independently.

Master Casson, welcome to this meeting of The Empire Club of Canada.

What the artist offers to society is not a bagful of his own tricks and idiosyncrasies, but rather some knowledge of the secrets to which he has had access and which only his sensitivity can reveal to us.

A master knows where to search in himself and where to find strength. But this strength is not yet genius. Artistic genius lies in the continuity, in the perseverance, in the capacity to create and recreate even higher achievements.

Our guest of honour has a most impressive record of achievements that will make it difficult indeed to do justice in an introduction. But let me try.

He was born in 1898 in Toronto. In 1919 he became apprenticed to Franklin Carmichael, was introduced to the Arts and Letters Club, and met members of the Group of Seven. He attended the Ontario College of Art in 1920, and in 1921 he began exhibiting with the Graphic Arts Club, later the Canadian Society of Graphic Art.

He became a member of the Group of Seven in 1926, replacing Frank H. Johnston, and founded – with Carmichael and Fred Brigden – the Canadian Society of Painters in Water Colour. He was also elected an Associate of the Royal Canadian Academy (ARCA).

In 1927 he joined the firm of Sampson Matthews as a designer, becoming art director in 1942. From 1946 until his retirement in 1957, he was vice-president and art director of the company.

In 1933, on the dissolution of the Group of Seven, he became a founding member of the Canadian Group of Painters.

He was elected President of the Ontario Society of Artists in 1940, an office he held until 1945, and he was also elected to full membership in the Royal Canadian Academy (RCA). In 1948 he was elected President of the Academy, an office held until 1952, and he served as Chairman of the Council of the Ontario College of Art.

He received the Province of Ontario Award in 1948, and in 1949 became an Honorary Member of the National Academy of Design in New York. He became Vice-President of the Art Gallery of Toronto (now the Art Gallery of Ontario) in 1955, an office he held until 1959.

In 1957 he received the University of Alberta National Award Gold Medal for painting and related arts. He very modestly states that he became a full-time artist only in 1959. It was then that he established an association with the Roberts Gallery, Toronto. He had one-man exhibitions in 1962, 1965, 1968, 1972, 1975, and 1978.

He became a consultant to the Ontario Provincial Police on matters of forged paintings in 1962 and is still an honorary inspector.

In 1970 he was awarded the Royal Canadian Academy of Arts medal and the degree of Doctor of Laws, *honoris causa*, was conferred on him by the University of Western Ontario. He was awarded the degree of Doctor of Laws, *honoris causa*, by the University of Saskatchewan in 1971. In 1973 he was awarded the City of Toronto Award of Merit for distinguished public service, and became, as well, a Fellow of the Ontario College of Art. In 1974 a lake in Curtain Township, District of Sudbury, Ontario, was named Casson Lake in his honour, and a township near Thessalon, Ontario, was named Casson Township. In 1975 he was awarded the degree of Doctor of Laws, *honoris causa*, by the University of Toronto, and in 1978 he was awarded the Silver Jubilee Medal, and in the same year the Art Gallery of Windsor organized a retrospective exhibition of his work. And in 1982 he was awarded an LL.D. from McMaster University, as well as from Mount Allison University.

Those are the facts of a brilliant career in art. The only thing more important is the actual work, the creation. The spirit of that creation was well captured by one of our fine speakers, also a member of the Group of Seven, fifty-seven years ago. In 1925, A. Y. Jackson spoke to The Empire Club of Canada and mused: "When the last cow is taken from the drawing room and the walls are alive with red maple, yellow birch, blue lakes and sparkling snow-scapes, I can hear the young modern painter up north say to his pal: there's the trail that those old academic Johnnies, the Group of Seven, blazed."

Ars longa, vita brevis – art is long, life is short. Dear sir, your art will forever outlive you. Please welcome A. J. Casson.

MR. CASSON:

Mr. Chairman, ladies and gentlemen: When I was asked to give this talk, I wondered if my memory would be fairly clear, because I was asked to reminisce a bit about the Group of Seven – and that goes back sixty-five years. Some things are a little bit hazy but I am not going to talk about the history of the group. That has been done over and over in books, heaven knows. Some are fairly correct; in others the writers were guessing and I am now at an age where I don't want to take the trouble to try to correct them.

I should say that I was born in Toronto in 1915, and when I came back to Toronto things in the art world were pretty flat. I managed to get a job in a small engraving house and began going to different art schools in the evenings, OCA, Central Tech, and so on. But at that time, I didn't even know there was anything like the Group of Seven.

One of the mistakes often made by people writing about the Group is that they start with the first show the group had in 1920. But the group really was formed perhaps ten years before that. As Lawren Harris said one time, however, "We didn't pin a name on it until 1920." It was just a group of people who worked at Grip Ltd. You see, all the Group of Seven (with the exception of Harris, who had independent means) worked at commercial art some time in their early days, and Grip Ltd. was where they met. I have always felt that the prime mover in the Group was Jim MacDonald, but Lawren being the younger, much younger than Jim, and having private means, was the front man who pushed things. At that time in Toronto there was no art gallery. It was very difficult for a young artist to get into the art world, there was no way of meeting people or anything like that.

For some unknown reason – I have never puzzled this out – everybody was outdoors sketching. I think the first two Group of Seven things I ever saw were in a show at the reference library, about 1917 or 1918. I still remember seeing a Jackson and a Lismer. I remember those all these years later and at the time I had not a clue who they were. But for some reason everybody was sketching – all the commercial boys, everybody who could paint was out sketching. I was one of them. We didn't know what we were doing, it was sort of the blind leading the blind, but we were having a lot of fun. Just recently I was down in our basement and I found an old box with a hundred sketches that I had intended to throw out. I looked them over. There are about seven or eight of them I wish I could do now. Being young and full of beans, I slapped paint on in a way I couldn't possibly do today. I've taken ten or twelve out and the rest are going in the garbage. Unfortunately, I can't remember where I painted these paintings. I have no idea. It might have been Port Credit, anywhere.

I should come now to the first exhibition of the Group. Now, I don't think there are many here who were at the opening of the Art Gallery of Ontario, which was then the Art Gallery of Toronto. My wife and I were there that night and, you know, it was terribly formal. White tie, ladies with evening dresses and white gloves, a receiving line, and nobody had any idea what some of these paintings were all about, but they were terribly polite about it. The curious thing is, with all this formality and everything, the next day, when they checked the sales, there were none. Nothing was sold. Later some went to the National Gallery. I have always remembered that – the difference between that opening and an opening today, where "anything goes."

People ask me how I became a member of the Group. In 1919 I was floundering around, not very satisfied with the work I was doing, and I was asked to go on the staff at Rous & Mann. Well, if you got on the art staff of Rous & Mann in those days you were made. I was for seven years Frank Carmichael's apprentice. I owe more to Frank in my art career than to any other single person. He took me under his wing and coached me, took me sketching, did everything. Occasionally, he would take me to the Arts and Letters Club for lunch, perhaps once a month. I met the Group just casually and shortly after that I became a member. Then the rest of the Group began to take an interest in me. I had to be pretty tough to take what they threw at me. They were pretty critical. I didn't realize until years later they were testing me to see if I was going to come through with some good things, and later perhaps they would make me a member to take Frank Johnson's place.

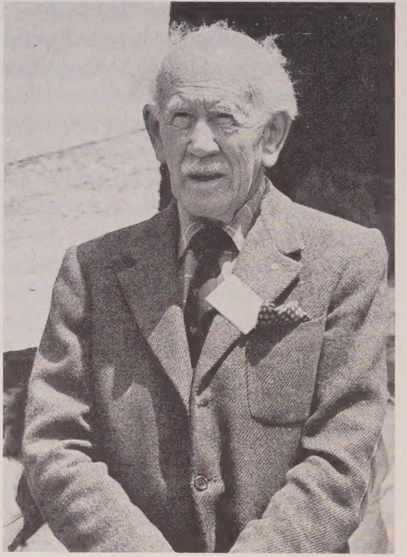
The Group was an organization that avoided anything that was like a formal society. This is one of the things I regret now when I am asked to check up on things about the Group. There was no head of the Group, no secretary, no minutes were kept, anything. There were very few meetings; about the only time there really was a formal meeting was when a show was coming up or we were going on a camping trip. I am sorry that no records were kept. I can remember going to the Arts and Letters Club on a Monday, say, after there had been a Group opening at the Gallery. As I was so much younger than these men I just sat and listened to them. If any of you have read the criticism that came out in those days, it really wasn't criticism. When you look back at it now, it's funny to recall what they said. I expected the Group to be all up in arms about this. They weren't. They treated it as a joke and I remember saying to Harris one day, "Isn't this awful?" and he said, "No, it's better than being ignored." I think he was right.

I sat on the sidelines for years. Alex Jackson – we kept in touch with Alex until two weeks before he died – always referred to me as "the kid," and I became sort of a joe-boy for the Group, running errands, doing things for them. I would go out to Carmichael's, help him mat things. He would keep me working until twelve at night. I was just as stubborn as they were; I wouldn't give in, this routine they put me through. And I always remember Jim MacDonald – who was a very kind, considerate person – coming to me once. He said: "I have a mural to make for somebody at the Canadian National Exhibition. I have too much work. Could you possibly take it on for me? I've designed it." Well, I couldn't turn it down.

Now that I think back on it, I don't think Jim designed it and I don't think he was interested – it was a pretty ordinary thing. However, that was one of the joe-boy jobs that I did for him, and I did plenty. Later on, they took me out sketching with them more and more, and finally they invited me to go on one of their famous trips to Lake Superior. Up until that time they had been making these trips to Algoma, but I wasn't in on it.

But in 1926 we went up to Lake Superior. I thought you might like to know what a Group of Seven sketching trip was like. We took the night train. It was in the middle of October. We got off at Port Coldwell about five at night. The train wouldn't stop – it was on a heavy grade – but Harris had given the conductor ten dollars or something to slow it down to twenty-five miles per hour. Because I was the youngest, I was put on the steps to count our baggage coming out. When we got to the right point, I got a shove to jump. Harris had arranged for a couple of section men to put the heavy things on a jigger and take us up the track five miles.

Well, of course, that night we had no more time than to get a tent set up, get something to eat, and go to bed. Next morning we set up camp. There was a fireplace and all that to get ready. For two weeks it snowed every night and every morning. We thought that would be fine; light snow was great. But about half-past nine every morning it would rain a bit, which took the snow off. We spent two weeks there. For some people it would be miserable. We had a wonderful time. I have never in all my life been associated with people who were so enthusiastic. Not because they were painting to sell, because there were no sales anyway, but just with straight enthusiasm. It got into your blood. I would go out with them; they would pick their spots, and I would watch them for a whole morning and a whole afternoon and I don't think they would raise their heads. They were concentrating on what they were doing. I was roaming around to see if I could pick up some pointers from them. But they didn't pay much attention. They were busy. But every night when we came back – we had a little stove, a little woodstove, I wouldn't say it was warm but at least it wasn't freezing – they would ask me to show them what I had done that day. Never brought theirs out, and you know what they had to say – they were rubbing it in pretty hard but I had learned a lot from them.



A. J. Casson

One day it was raining terribly, and Harris said, "I forgot that my mother is sending us some supplies up." Well, I volunteered to walk the five miles back to the station. You can imagine what it was like, the middle of October, bitter cold. When I got there, there were two loaves of bread, two green cabbages, and two baskets of Canadian grapes. That night Frank Carmichael and I were getting dinner ready. I was going to put the cabbage in a pot and cook it. He wanted to know what I was doing. I said, "I'm going to cook the cabbage." "That's no way to eat cabbage," he said, "no good for you." We argued for a while and finally I handed him his half and I cooked my half. You had to know Frank Carmichael; it had to be raw cabbage. And I'll never forget the look on Jackson's face that night when he came over to our tent, and we were sitting there eating those cold grapes. Harris was a bit of a faddist and he arranged all the supplies for that trip. He said, "Look, fellows, don't bring any cigarettes. I'll bring that." When we got there, he had tins of this new tobacco that was supposed to have the nicotine out of it and cigarette papers. You can imagine on a bitter cold day trying to roll stuff that was like dried tea with cold hands. But it was fun, we enjoyed it.

It was shortly after that I decided I had to break from them. You see, the nearest to me was Carmichael, eight years older. When I first met them they were all established artists. I had never even painted a canvas at that time or exhibited anything. They had such an influence I couldn't help following them. I've often said that I could dig out one of my old, old sketches on Beaver-board, put Frank Carmichael's name on it and I'd be able to sell it. I broke away from them and went on my own.

It was then that I began painting the Ontario villages, because Alex Jackson begged me to go down to Quebec with him. I thought no, if I go to Quebec I'll see everything the way Alex does. So I started painting Ontario villages, and I'm awfully glad I did because what I painted has long since disappeared. I still went sketching with one or other of them the odd time, but I made sure I was away from them not to see what they were doing.

Up until the 1950s the Group's work was well known and there were an awful lot of – I wouldn't say complaints, but comment that the Group had done a lot of harm; that they had put Canadian art back so many years because after the Group became well known, everybody was trying to paint like the Group. That was not the fault of the Group. The one thing the Group insisted on was that they didn't want to found a school of painting; they merely wanted to have Canadian artists look at Canada as Canadians, because up until say 1920 there were no public collections in Canada. There were no galleries, any collections were in private hands and they were mostly Dutch masters or tidy English landscapes. The Group wanted to break that way of seeing things, break the hold of a technique that was imported. Good and all as it was, it didn't apply to our northern landscape.

Also, I can remember people saying that the Group was making up these paintings. Around 1920 there wasn't one person in a hundred who had ever been north of Muskoka. It was a pretty rough country, there was no accommodation, so they really didn't recognize what the Group was painting. I suppose, when you look back, nobody – no group of painters – has ever covered the country as thoroughly as the Group did, from East to West, North to South. I often said to my old friend Jackson in later years, "Alex, you painted everything in Canada except one place, the Niagara Peninsula." He looked at me and said, "Can you imagine me painting a nice sweet thing with apple blossoms?"

Up until 1950 there was no great sale of Canadian work of any kind. Then it started to take off. Unfortunately, the higher prices arrived too late for most of the Group to benefit. My old friend Carmichael died in 1945. When Frank died, he had never sold a sketch for more than $35 – framed. Not long ago there was a Carmichael painting sold at auction for $27,000. I said to my wife when I heard this, knowing what Frank was like, "I bet he is turning over in his grave and saying, 'The darn fools could have had that for $35.'"

This art boom in early Canadian and Group of Seven started about 1950 and built up until about 1960. I suppose many of you in the audience know there were a tremendous number of fakes. The market was flooded with them. It was a curious thing: there were practically no Varleys, Carmichaels, or Harrises. It was all MacDonald, Johnston, and one or two of the others. I noticed that some of these paintings weren't right. So one day I was going out to an exhibition. Jackson happened to be in town, so I got him to come along. We went in the door and there was a big Jackson of the Northwest Territories hanging in the hall. Alex didn't say anything as he was taking his coat off; he just grunted. Then he turned around and pointed and said, "When I left Ottawa last night that one was in my studio, and that one was in the National Gallery." Some of them were fair copies; others just took a minute or two to notice. But finally, we put a stopper on that and I enjoyed it. The Ontario Provincial Police felt they were taking too much of my time, and I said it doesn't matter how much time it takes – it is the one way, even though they are all gone, that I can thank them for what they did for me, to look after what they have left and make sure they are right. I haven't seen too many fakes lately, but they are still around.

Now I would like to conclude by saying that I am not active in the art world any more to any extent. When I took over the presidency of the Academy many years ago I realized something had to be done. The council was made up of men my age and up to ninety-four. Good painters, good men, but I realized that they weren't up with the times. It was an awkward situation; these men had served the Academy well. By careful manoeuvring I got them out and younger men in. And I remember coming home and saying to my wife after that meeting, "When I get up to near that age I am not going to inflict myself on a lot of the younger people. I'm going to keep out of it." And I have. I know what is going on, but I think it is time for me to pull out of the whole thing because the Group now is history. That's as it should be.

After the Group broke up things began to change. It broke up in 1932 because, first of all, the Group felt they had done what they had started out to do. Also, Harris was going west, Varley was going west, MacDonald had died, Lismer was going into full-time teaching, and they felt it was time to do away with the Group. They formed what was called the "Canadian Group of Painters." I never agreed to it; I didn't think it would work, though it did for a few years. I would much rather have seen the Group end and let that be it. I must say that as far as being a painter, my years with the Group were the happiest painting times I've ever had – the way they looked after me, the encouragement and the enthusiasm. As I have said, now it's part of history, put it in its place and leave it there. Thank you very much.

The appreciation of the audience was expressed by Sydney Hermant, a Past President of The Empire Club of Canada.

OCTOBER 21, 1982

Commitments and Constraints: Ontario Hydro's Role in Today's Economy

AN ADDRESS BY Hugh L. Macaulay,
CHAIRMAN, ONTARIO HYDRO

CHAIRMAN The President,
Henry J. Stalder

MR. STALDER:

Distinguished guests and members, ladies and gentlemen: It is a long way from Sir Adam Beck, the father of Ontario Hydro, to our guest of honour and the company which Ralph Nader once called "a government within government." Sir Adam once said that he wanted to "forge a band of iron around hydro to prevent its destruction by politicians;" we have now come to a state of affairs where the Chairman of Hydro and the Premier of Ontario have been friends for the last twenty years. The original classy coat of arms – reading *Dona naturae pro populo sunt*, "The gifts of nature are for the people" – has made room for the famous plug logo. The meaning is the same but, following the style of the times, it is more consumer-oriented and visual.

Ontario Hydro's new approach is personified in Hugh Macaulay. Hugh was born in Toronto in 1925 and got a B.A. in Journalism at the University of Western Ontario. During the Second World War he served in the Royal Canadian Navy. After the war he worked in public and industrial relations and for about seventeen years he was prominent in the automotive industry. In 1979 he became Chairman of Ontario Hydro.

It has been a long time since we at The Empire Club of Canada had a Chairman of Hydro speak to us. Exactly thirty-one years ago, Robert Hood Saunders, C.B.E., K.C., said to us, "Yes my friends, we are standing at the crossroads. We can provide power in abundance. But the question is – will it be low-cost power?" Today, to discuss "Commitments and Constraints: Ontario Hydro's Role in Today's Economy," please welcome our guest of honour, Hugh Macaulay, Chairman of Ontario Hydro.

MR. MACAULAY:

Mr. Chairman, ladies and gentlemen: Just last month I was reading an article in a business publication which suggested that corporate giants tend to be less responsive than smaller corporations to short-term trends in the economy and changes in consumer demand for products.

By any standard you and I can think of, Ontario Hydro is a large corporation: thirty-two thousand employees, $19 billion in assets, $4 billion in sales. Yet, I don't think any corporation has its finger more on the pulse of the economy than Ontario Hydro does. We sell and deliver our product to every industry and every consumer in the province, and we do so instantaneously and continuously. Our sales reflect the day-by-day, hour-by-hour course of business in this province – business which, as in all the rest of North America and the western world, is not as robust as it could be, especially in the manufacturing sector.

This is particularly serious for an exporting economy such as Ontario's, which produces about one-half the country's manufactured goods. Ontario is responsible for more than 40 per cent of Canada's total exports and 77 per cent of our nation's manufactured exports. And exports account for one-third of the province's income.

If the Ontario economy is to improve its strength, the goods and services we produce must be of a quality and price competitive in the world marketplace. And Ontario Hydro – by providing a reliable and reasonably priced supply of electricity – has a major role to play in making Ontario's products competitive.

Electricity prices have been more than holding the line against inflation. As a matter of fact, the real price of electricity has declined by more than 6 per cent over the last four years. That has given some relief to the beleaguered energy consumer who has seen the price of oil rise 58 per cent and that of natural gas rise 19 per cent, in real dollar terms, over the same period. So far, Hydro has been able to continue a pattern of keeping electricity rate increases at or below the rate of inflation. I say "so far" because, looking down the road, it is going to be more difficult to continue this pattern.

Right now, Hydro finds that electricity prices are in a squeeze between upward and downward pressures. Upward pressure because we went through a period of accelerated expansion during the sixties and seventies. We have, among other projects, three huge nuclear plants coming into service over the next ten years. The level of electricity sales that we anticipated when these stations were planned a dozen or so years ago has not fully materialized. And if we don't get revenues from sales, there is pressure to increase rates.

But there are downward pressures too. Slower economic growth has reduced the demand for electricity. That demand is bound to be affected by rates.

If priority is given to upward pressures, we can strengthen Ontario Hydro's financial position. If we give priority to downward pressure, we can help strengthen the Ontario economy – and that is more important.

Ontario Hydro has contributed a great deal to the Ontario economy in the last few years. I refer to the three megaprojects – the Pickering B, Bruce B, and Darlington nuclear generating stations – which we are completing at a time when similar projects around the world face cancellation. By the end of this year alone, these projects will have created about thirty-five thousand man-years of employment, supplied over one hundred companies with work, and created almost $2.5 billion of revenue for those companies. More than that, they will continue to provide long-term economic benefit to the people of

Hugh L. Macaulay
Chairman, Ontario Hydro

Ontario. I am referring to the reliability and efficiency of the Candu reactor design. Unlike many utilities south of the border which find themselves short of capacity to produce inexpensive power, the Bruce, Pickering, and Darlington projects will guarantee a reliable supply of economic power for years to come.

Providing economic power remains a priority with Ontario Hydro, especially in these times. So we're doing what we can to keep electricity rates attractive. That's going to be tough. We're already feeling it. But we can do it, and we're going to do it, because, in the long run, the manufacturers, the shopkeepers, the homeowners of this province will then have a better chance for economic recovery.

Just this week, Ontario Hydro's Board of Directors approved a corporate strategy which focuses on three major features – restrained spending, working with customers to get the best use out of existing facilities, and diversifying into related opportunities where it profits the economy to do so. We believe that this approach will allow us to adjust to an era of rising costs and slower growth, reduce our borrowings, and still keep the price of electricity attractive.

We are looking at two major areas of restraint – capital construction projects and operations.

Hydro is reviewing all planned capital expenditures to determine which ones can be reduced or stretched out. That will not only help reduce costs in the long run, it will also reduce Hydro's borrowing needs, reduce demand in the lending markets, and ease pressure on the supply of money available for other institutional and industrial borrowers.

Stretching out the schedules on projects can reduce costs, or at least postpone them until a time when ratepayers and the economy can better absorb them. By altering the timing of new transmission lines and planned additions to transformer stations, we are shifting the timing of a commitment of over $200 million in expenditures.

I might add that reducing inventory levels is another way of reducing costs. We are hoping to cut proposed inventory costs for 1983 to $75 million less than originally budgeted.

Operations, maintenance, and administration budgets are also being trimmed. Hydro has put in place guidelines for controlling staff growth, and although new nuclear units will be placed in service over the next few years, total staff levels in 1983 and 1984 will not be allowed to exceed the level authorized in 1982. In other words, there will be no growth in Hydro staff, even though we are adding major new facilities.

Travel and overtime costs have been slashed, and a planned salary increase for our senior staff was cancelled. The corporation has also negotiated a voluntary wage-restraint program with management and professional staff.

These measures are proving effective. Our operating costs for the first eight months of 1982 were $26 million under budget.

As you can imagine, our operations cutbacks mean a considerable amount of retraining and dislocation of staff. Getting the best efficiency out of our human resources will need both imagination and sacrifice. I know Hydro staff have the capacity for both.

I've talked about cutbacks. They are essential. However, you know as well as I do that no organization can, just by controlling expenses, create employment and economic opportunities, particularly jobs for our fellow citizens who are out of work.

We in Hydro are determined to make spending cuts without seriously affecting the quality of service we deliver. To do that, both Hydro and its customers are going to have to get the best use out of the province's existing electric power facilities. What does this mean to the homeowner, to the businessman? It means two things. It means, "Don't waste energy." And it means, "Don't waste generating capacity." Let me elaborate.

Ontario Hydro and the Ontario government have for years been encouraging people to use energy carefully and use electricity wisely. The conservation campaign will have to continue because you and I still waste energy. That's a waste of money and resources. But what about wasting generating capacity?

Right now, Hydro has a bigger reserve margin of generating capacity than is needed to ensure a reliable supply of power. As demand grows, we'll need to improve our facilities for transmitting power across the province, but we'll have surplus generating capacity for quite a few years to come, especially with so many new units coming into service. We have this surplus generating capacity because designing and building generating stations requires very long lead times – twelve years or more – and the economy was expanding rapidly that long ago. Today's volatile economy makes long-range planning very difficult. But the main question is not "How come?" but "What now?"

If plants which have been built and are being paid for are not used near their optimum capacity, then the unit cost of electricity tends to rise. That's what I call wasting generating capacity. Just like wasting energy, it costs consumers money. Instead of wasting the coal or oil or uranium that make the energy, the waste is of the steel and concrete and design and electronics that went into the plant that now sits idle.

Part of Hydro's strategy is to selectively encourage the use of electricity. I say "selectively" because I mean encourage the use of electricity only where it meets customers' needs and expectations at a reasonable cost; in other words, where there is a benefit to the consumer. After all, the consumers of Ontario own Ontario Hydro and are entitled to derive from its operations what benefits are available. At the same time we can encourage use, but discriminate use, while we continue to encourage the overall conservation of energy.

A contradiction? Not at all. It's a matter of *conserve and substitute*. The conservation message is simple. When using electricity, or any other form of energy, use whatever is needed to get the job done. The substitution message is, use electricity in more places where the job has to be done. Use it because it's produced mostly from Ontario sources. Use it because it can break our reliance on Middle East oil – and on OPEC.

The Canada Oil Substitution Program recognizes the need for Canadian homeowners to reduce their reliance on oil because it is costly, because it is needed for other uses like transportation and chemical feedstocks, and because Canada still has to import much of it. The Program provides incentives for homeowners to convert to alternative forms of heating.

Already 24,700 homes in Ontario have been converted either wholly or partially to electric heating.

The potential for electricity to displace other and costlier forms of energy in the office and in industry is just as great. Industry may be reluctant in these times to put out the money for off-oil conversions even though forecasts show future oil prices increasing faster than inflation. The wise use of energy could, in future, mean some form of incentive-pricing structure to give more industries the opportunity to get off oil by electrifying.

There is still tremendous potential for substitution. There are not many jobs traditionally performed by electricity which could be performed instead by some other form of energy. But whether you're talking lawn mowers or industrial furnaces, there are hundreds of ways in which equipment once run on wood or oil or gas can now be converted to run on electricity. Electrical energy is a displacer, not a displacee. That's why electrical power will increase its share of the energy market over the next decade.

Speaking of markets, Ontario Hydro will continue to export power to the United States. We'll be trying to find customers and sorting out delivery problems. Just last week, we reached an agreement to sell the State of Vermont up to 52,000 kilowatts of firm power and up to 252,000 kilowatts of total power a year for five years. The deal is worth about $8 million a year. Ontario Hydro has also just signed a $600-million power contract with the Niagara Mohawk Power Corporation to provide 400,000 kilowatts of electricity for the next four years.

We'd like to find customers for a million kilowatts of firm power to give us a guaranteed export base. The more power we can export to the United States, the better use we can make of Ontario's large capacity to generate electricity, and the better we can keep down electricity rates.

The third element in Ontario Hydro's strategy for the eighties is *diversification*. Normally, a corporation facing financial constraints does not think of diversifying, but the opportunities we will pursue are all connected to electricity production. Whether we sell process steam to industry, aquaculture, and agriculture from the Bruce Nuclear Power Development, or produce cobalt 60 for hospitals and food sterilization and preservation, or provide assistance to consultants, manufacturers, and contractors, what we're doing is exploiting expertise and facilities we have already acquired. The revenues we earn will keep our customers' hydro bills down. Our decision to pursue related business opportunities should supplement Hydro's core business and increase the value of its service to the community.

What I've outlined is not just the story of another corporation tightening its belt in response to the times. Ontario Hydro is different, not because the public owns the corporation – which it does. Not because everyone in the province uses its product – which they do. It is different because electricity users across the province have a vital hand in *managing* Hydro.

An electrical utility is not a master in its own house; it is not totally in charge of its own efficiency. We're not like most manufacturing plants, where managers and engineers can increase efficiency by modifying equipment and processes to squeeze out a few more units per hour or day. Our equipment and staff must respond to customer demands for power, immediately and directly. In a sense, it is you, Hydro's customers, who operate Hydro's plants. Wise use, then, becomes a cooperative effort.

We have a considerable amount of investment in the electrical generating facilities of Ontario. We have the opportunity to put that investment to use for the province's benefit. Like the servants in the parable of the talents, we should not leave idle the resources we have available to produce prosperity.

The appreciation of the audience was expressed by Ian McPhail, a Director of The Empire Club of Canada.

OCTOBER 28, 1982

Let's Stop Shooting Ourselves in the Foot

AN ADDRESS BY Radcliffe R. Latimer
PRESIDENT AND CHIEF EXECUTIVE OFFICER
TRANSCANADA PIPELINES

CHAIRMAN The President,
Henry J. Stalder

MR. STALDER:

Distinguished members and guests, ladies and gentlemen: Rad Latimer, President and Chief Executive Officer of TransCanada PipeLines, was born in Florence, Ontario, on October 2, 1933. He attended McGill University and graduated with a Bachelor of Science degree in Mathematics in 1953. Mr. Latimer earned a Master of Business Administration degree from the University of Western Ontario in 1956.

Following his graduation from Western, he joined CN as Administrative Assistant in the traffic department and served also as Traffic Research Officer and General Rates Officer, before leaving CN in 1962 to take up a position as Manager of Research for Royal Securities Corporation in Montreal. In 1963, Mr. Latimer was named Executive Vice-President of the Algoma Central Railway and in 1969, Vice-President, Operations, White Pass and Yukon Corporation.

In 1973, he was appointed Executive Vice-President of the Grand Trunk Corporation, CN's wholly owned United States subsidiary. He was named System Vice-President, Marketing, for CN Rail in 1974 and Vice-President and Senior Executive Officer of CN Rail in 1976. Mr. Latimer was named President of CN Rail in 1979. He was named President and Chief Executive Officer of TransCanada PipeLines on December 1, 1979.

Mr. Latimer is also a director of Great Lakes Gas Transmission Company, Trans Quebec & Maritimes Pipeline, Prudential Assurance Company, Constellation Assurance Company, and Algoma Central Railway.

Mr. Latimer comes to us today not only with a message about his own company but also with some comments on TransCanada PipeLines's relationship with Dome Petroleum, its major shareholder. Ladies and gentlemen, please join me in welcoming our distinguished and accomplished guest of honour, Mr. Radcliffe Latimer.

MR. LATIMER:

Mr. Chairman, ladies and gentlemen: When I accepted your invitation to speak to you today I knew I couldn't help talking about some aspect of our economy, simply because it seems to have replaced the weather as the favourite topic of conversation. So much so, in fact, that if Mark Twain were alive today he might be prompted to revise his famous observation and substitute the word "economy" for "weather" – although that would not be quite accurate because a lot of people really are trying to do something about it. So if I were to take a stab at rephrasing, I would suggest: "Everyone talks about the economy and everyone has his own idea of what to do about it."

And most of the ideas seem to be directed toward our governments – particularly the one in Ottawa – and they run the gamut from replacing the cabinet to indexing layoffs in the civil service with those in the private sector, to selling off all Crown corporations, to whatever.

Well, one thing I can promise you is that I have not come here with any magical ideas or formulas to present as a cure-all for our economic difficulties. We are all wrestling with the problems of a severe national recession within the framework of a world economic slowdown. The complexities are so great that it strains the best of human minds; hence, the age-old human practice of looking for scapegoats or simplistic solutions is not all that unexpected. I don't think there is any question that the number-one scapegoat in Canada today is the federal government. But I promise you that I do not intend to join the thundering herd of critics who have been castigating the federal government for its sins of commission or omission. Anyone who reads the media is well aware of what people think and I don't feel it would serve any great purpose to run down the checklist.

Rather, I would like to zero in on one area of particular concern to all of us and which has been at the top of the news and that is our relations with the United States and how we are perceived by the business, government, and investment people in that country. It is a subject of special concern and interest to me because of the international nature of the company I represent and the fact that, as a major user of investment capital, TransCanada PipeLines looks to foreign markets to finance much of its needs.

Just about a year ago, I had the opportunity to talk to a large assembly of senior American businessmen in New York City. At that time, Americans had reached a point of heated exasperation over Canada's economic policies and I did my best to explain to this group just what was happening in Canada. I undertook this assignment out of a personal concern for the way many competent, professional businessmen and investors had come to see Canada – views and moods I had picked up during my business travels in the States. They amounted to sweeping, distorted generalities which were astounding to hear. The gist of it was that Canada had fallen into the hands of a socialist idealogue and as a result, the country was unreliable and unpredictable; that Canada's basic political motivation was hostility to the United States; and that we were something between a developing nation and a banana republic. I can't, nor can you, I am certain, accept such a casual summing-up of our country. Such views amount to sloganeering but once slogans are inscribed on human minds they are powerfully difficult to erase or replace.

As we all know, the two red-flag issues which have angered Americans and undermined our credibility as a welcome and sound environment for capital investment are the administration of FIRA and the way we implemented the National Energy Program. Please note that I used the terms "administration" and "implementation." That's because I do not feel there is a genuine quarrel with the validity for the existence of either of these pro-Canadian initiatives. Contrary to what people beyond our borders might think, they were not spawned overnight and without due warning by an overzealous nationalist government. There was plenty of advance warning on both of them and each should have been predicted by any astute observer of Canadian political developments – particularly the NEP, which was outlined in a strategic paper in 1976 and which was a part of the Liberals' election platform in the last election. And as surveys confirmed, there has been overwhelming public support for the idea of Canadians owning a larger slice of the manufacturing and resource sectors of the economy. Also, let's remind ourselves that FIRA and the NEP are conceptually far from extreme measures when compared to investment-screening apparatus in other Western-world countries.

No, I think most of us now understand that the problem with FIRA is the lack of clarity in its rules and terms of reference – its negative watchdog reputation. And in measuring FIRA's performance, it is pointless to look at the percentage of investments it has approved because that doesn't tell us how many worthwhile investments were scared off. As a result, no major foreign-owned company plans to try to move in Canada with plans that include acquisitions or consolidations of existing activities. The present FIRA screening process has eliminated such activity. Even with plans for brand-new investments, technically not covered by FIRA at present, the combination of hints that FIRA powers would be extended – possibly retroactively – and the clear application to energy companies retroactively have acted to cool enthusiasm in this direction. Couple this with the present world market outlook in traditional Canadian business areas and I venture the view that there are currently no new capital investment plans for Canada before the boards of major foreign companies. I can think of no time in the past thirty years when interest in the development of Canada has hit such a low ebb.

The same thing can be said as far as the NEP is concerned. It was the methods employed toward achieving the policy's goals which cost us our credibility internationally. I believe Canadians have come to realize that the real motivating force behind the contentious measures implemented under the NEP umbrella was primarily the government's greed for revenues. The government cruised for a long time on the almost universal support for Canadianization to serve its own self-interest to the detriment of the petroleum industry and other sectors of the economy.

In fact, that basic motivation to take money for public coffers was, in retrospect, so powerful that it blinded government eyes to what was really happening in the energy world. Government people were among the last to realize the world energy market had turned around – that all the predictions for prices and supply upon which the NEP was based were no longer valid. None the less, they proceeded to structure the NEP and thereafter the agreement with Alberta armed with a view of world energy that was no longer realistic. So I have come to the view that the failure of the NEP was not because it was nationalistic and angered our American friends, but because of a massive misjudgement in reading the market.

Enough said – I am sure I am preaching to the informed. I want to look ahead but I felt it was necessary to remind ourselves where we are coming from in order to appreciate the difficulties we face in the future.

From what I have seen emerging from Ottawa in the past few months, and especially in the past few weeks, there is plenty of evidence that the government has done an about-face and is taking a more realistic stance in economic matters. The shuffled cabinet has ministers in place where they can effect changes and that's happening. We hear that FIRA is being revised; that the government is shying away from Canadianization; that the government has met with senior American industrialists and taken other steps to patch up our relations with the United States. Whatever else may be said, I believe that the public statement of such views by the prime minister has been a step in the right direction.

I, for one, am gratified to see the new directions and initiatives the government is taking. But at the same time, we must realize Ottawa is undertaking a valiant effort at the worst of all possible times. We are in the middle of a world recession. The world energy market has turned totally negative and if our neighbours to the south are not actually hostile, they have become more isolationist and just don't care as much about Canadian resources today as they did in past years. It is a most difficult moment in which to try to obtain results through a quick about-turn – but the change in direction had to come and even though it's belated, we can be thankful it is under way.

However, in saying that, I have to admit to a sinking feeling that our leaders are once again misreading what is happening in the world and are reacting to an old situation while a new one is fast overtaking us. I say this because I have just returned from an extensive trip to Asia and have had an opportunity to learn what is going on there first-hand and, at the same time, to view the United States from that far-off vantage point. It conforms with what I have felt while travelling in Europe and presents a totally different perspective on the Canadian view of relations with the United States.

When I spoke in New York a year ago, I was concerned with the negative attitudes I mentioned earlier because of our nationalistic economic policies. I also dealt with our growing fear that the United States might take retaliatory measures to bring us into line and discourage our pro-Canadian ways. I have now come to the disturbing conclusion that those are old concerns, and my ears pricked up earlier this week when I heard a cabinet minister on the radio say he hoped the United States would not impose retaliatory trade measures on Canada. I suggest it would be a massive misjudgement to think that anything the United States might do of a protectionist nature would be particularly directed toward Canada, FIRA, or the NEP.

Instead, whatever negative measures – or simply indifference – we may experience coming from the United States, are nothing more than a reflection of the position the United States is taking with respect to the rest of the world, and Canada has become part of the rest of the world. There is an isolationist mood to the south of us which stems from a gut-level American view that the United States is not getting much in return from its relationships with the rest of the world either economically, politically, or militarily. It is a mood spawned by protectionism that is emerging among countries throughout the world in response to economic difficulties. I am convinced we are going to see far more rallying around the Stars and Stripes and calls for "America First" and our special position with the United States will not be so special anymore. America's isolationist stance is not visible in Canada with the same clarity as it is in Asia and Europe where it is omnipresent and the countries there just don't have any way of coping with the about-face the Americans have made.

So, when I returned home last weekend and began catching up on what had been taking place while I was away, I assessed what I was reading against what I feel is really happening in the United States and I can only conclude that events there have overtaken us and we are responding too late to the wrong thing. Now, this does not mean the government should disband its current initiatives in courting the United States. No, I think the situation calls for all the haste we can put into the exercise in order to secure whatever measure of special status or treatment we can. And in that respect, I think it would help all of us to

Radcliffe R. Latimer, President and Chief Officer, TransCanada Pipelines

have a clearer idea of what the government has in mind. We know changes in policy are being made in Ottawa, but it is not yet apparent how fundamental they are – how far they go.

Take the NEP, for example. It is no secret that the government realizes the mistakes it has made. For some time now, changes and concessions have been occurring at a rapid clip. Most of them have received little publicity – certainly not the kind of attention that was paid to the high-profile moves by Alberta and Ottawa to return large amounts of cash to the oil industry; or Alberta's most recent move to reduce provincial royalties on enhanced oil recoveries. I would suggest most Canadians are unaware of the extent to which the original NEP measures have been modified. It has been a piecemeal process and it is not clear whether or not the government has backed off the NEP in a fundamental way. If Canadians don't know that, how can Americans or anyone else not directly involved be aware of what is going on?

Now, it is generally considered an admirable trait for individuals and businesses to come clean when they have made mistakes – to say, "OK, we didn't get it right, but we are prepared to do it differently." Would it be any less admirable for a government to do the same? I think not – and especially under current circumstances which surely call for concentrated action on both technical and psychological fronts. If the government could bring itself to clearly state that the previous ways no longer suit today's urgent needs and be frankly open about its new directions, I feel it would go a long way toward clearing up confusion and allaying the kind of suspicion expressed a few weeks ago by a New Yorker after hearing government overtures to invest in Canada: "How do we know," he asked, "that in a few years down the road we will not be nationalized?"

I would like to be able to answer him confidently, with a firm and unqualified, "No fear, it won't happen."

In the same vein, if the FIRA rules are being revised as we have been led to believe, then the new rules should be simple and clear so that they can be easily comprehended. However, I do fear that it will be difficult to convince people that FIRA has changed simply because the name "FIRA" has had such bad press outside Canada. Negative feelings well up in American business and investment minds at the mere mention of the name. So, perhaps a new name is needed to reflect a more positive and welcoming approach to foreign investment in Canada – to indicate to people that the changes are fundamental and long-lived. And to make it clear that this was a change in long-run strategy, not just a convenient tactical feint. The kind of clarity in stating new policy direction which I am suggesting would add impetus to letting people know in an understanding way where Canada now stands. It would help you and me to become promoters, rather than apologists, of Canada and our economic policies.

I would like to stress, however, that we don't fool ourselves into believing a few policy alterations are going to result in any substantial change in the fundamental policy shifts taking form in the United States. The course has already been set and we can expect it to continue for a prolonged period.

Now, I would like to turn my attention from our relations with the United States and come closer to home. As I mentioned at the outset, TransCanada PipeLines is a major employer of capital investment funds. In fact, during the past two years the company has been one of the largest capital investors in Canada, as a result of projects to increase the capacity of our system and to extend gas pipelines into new territories.

We will be continuing with major projects into the future and I feel it may be significant for the business community to know how the company sees itself within the context of current developments, particularly with respect to Dome Petroleum. There have been mountains of publicity, speculation, and comment about the Dome refinancing. The nub of it is that if anyone thought a magic wand would be waved when the banks and the federal government came in with their proposals, then they just misread the process. It is an extremely complex situation because there are a number of levels of investors with different kinds of security – people all over the place with valid interests in Dome. It is naïve to think that all those interests would be satisfactorily dealt with when only two elements were sitting at the table. All that that represented was the first big step forward because it gave notice that the biggest stakeholders – the federal government and the banks – were determined to save Dome and keep it from going under. The process is now going on from there and it is going to be prolonged. What should be clear, however, is that TransCanada is not involved in, or a part of, the solution.

Meanwhile, there has been a great deal of speculation and curiosity about what will happen to TransCanada PipeLines in all of this. One area of speculation that is particularly damaging is that the federal government is interested in acquiring Trans-

Canada. I can say that from all the conversations I have had inside and outside government, there is no evidence to support such a notion. Rather, the federal government, the Alberta government, and the banks appear very interested in finding a long-term, stable home for the TransCanada shares held by Dome Petroleum. And I think once the dust settles, there are several ways these shares can be distributed to Canadian investors in an acceptable way. TransCanada would welcome and support such an outcome and I have every reason to believe that it would be welcomed by any of the other interests in Dome. It would certainly be welcomed by the twenty-three thousand other Canadian shareholders of TCPL.

Meanwhile, TransCanada continues to carry out its day-to-day role of transporting natural gas to Canadian industry, businesses, and homes and since there is a lot of good news in natural gas, perhaps it might help to lift our spirits if I talked about it for a minute or two so I can end my talk with you on a positive note. I don't think Canadians fully realize the remarkable national asset we have in this fuel. When people talk about energy, they automatically think of oil. And that is understandable because oil has been in the forefront of energy news for most of this century. It is something we are conscious of every time we drive up to a filling station. It is also the major energy source that Canada is importing, so it has dominated the scare stories during the "energy crisis."

Natural gas, on the other hand, has a low profile. Five years ago, it was a very junior element in our energy picture. But it is now coming on rapidly as a full-fledged and major energy partner, supplying one quarter of all energy from primary sources in Canada. The total pipeline grid – from Quebec to British Columbia – totals ninety-five kilometres in length – far more than the total trackage of all railways in Canada.

It is a fuel in which we are not only fully self-sufficient; we have plenty to export and we earn billions of dollars of new foreign exchange every year. While we have been exporting natural gas to the United States for years now, we are really only beginning to exploit its full potential and there is a tremendous amount of activity taking place in the industry across the country. As a whole, the gas industry has been given a great deal of encouragement from governments, both in providing incentives for consumers, businesses, and industries to switch from oil to gas; and in expanding the pipeline system into new territories such as those covered by the Trans Quebec and Maritimes project; and in providing further help for the spread of local distribution systems; and in setting prices for gas which will make it increasingly competitive as time passes.

While the question of the extension of the pipeline to New Brunswick and Nova Scotia is not resolved, one way or the other the Maritimes will be served by natural gas. They will either be served by TQM or, as seems probable now, by a regional system distributing Sable Island gas. Once this is accomplished, the fuel will be fully available to most Canadians, coast to coast.

With the Canadian market fully served and large surpluses of gas still requiring markets, the industry has turned to developing new sales in the United States. At TCPL, we have sold large additional quantities of gas to existing customers in our traditional areas of the mid-West and to an exciting new service area in the American Northeast. We are confident that the Canadian government will soon approve the greater part of the new exports that we and others have requested.

On the American side of the border, the situation is hopeful since several of the new sales are into markets which are currently short of gas. However, the best time to have made these sales was during the energy crisis and that has passed us by. Before these imports are authorized by the United States regulatory authorities, we can expect prolonged bargaining on the terms and conditions, with particular emphasis on limitations on the Canadian government's right to set the price from time to time without reference to competitive conditions in United States markets.

Natural gas is one of the very few high cards Canada has to develop in the medium-term future. But Canada faces the reality of new, harsh world market conditions and, as in other areas, we will have to learn a new lesson – that we must compete aggressively. We have the basic gas supply but the Americans will bargain hard and if we do not meet this test, they will resolve their energy supply without us. I am optimistic and I believe there is enough understanding of the nature of the United States market by governments and producers that the bargain will be struck and these massive new exports will flow.

More's the pity that this wasn't recognized two years ago. The bargain would have been better, probably much better, and the tremendous construction programs to provide the new capacity would already be under way. We calculate that upwards of $4 billion of new facilities will be needed. What a stimulation if this were taking place in 1983 and 1984 instead of our just being at the start of the whole process with most of the construction delayed into the mid-1980s.

Nevertheless, I suspect the benefits of this large investment program will be every bit as welcome and as necessary when they come. The combination of this multi-billion-dollar investment program, the flow of several billions of dollars of new gas sales each year, and the influence of this new flow on gas exploration and development will undoubtedly comprise the most substantial single program or initiative to move our economy forward that we will see in the next few years. The fact that it has drawn such little public and media attention is to me quite remarkable.

With all of the activity to realize our natural gas potential, there is a lot of good news in our energy picture. The time has come for us to think automatically of natural gas when we mention that word "energy" – it is the fuel we have most of now and will continue to have for generations to come.

The appreciation of the audience was expressed by Ronald Goodall, the Treasurer of The Empire Club of Canada.

NOVEMBER 4, 1982

Let's Make Canada Great Again

AN ADDRESS BY Peter Pocklington,
CHAIRMAN OF THE BOARD,
POCKLINGTON FINANCIAL CORPORATION

CHAIRMAN The President,
Henry J. Stalder

MR. STALDER:

Distinguished members and guests, ladies and gentlemen: One of my unfulfilled hopes during my year as President was to bring Wayne Gretzky before this audience. However, today we have with us the man who *owns* Gretzky!

We have had famous people address the club; we have had wealthy people speak to us. Today's guest of honour is not only both of those but, on top of them, is worth fifteen years – the sentence given to the man guilty of attempting to kidnap Mr. Pocklington in April.

Permit me to mention as well that Mr. Pocklington has offered to run our country for one dollar a year. That is exactly one hundred and twenty thousand, three hundred and ninety-nine dollars less than what we pay the present head of state. Sounds like a good deal.

One might say quite fairly that Peter Pocklington is no politician, but one has to admit that he is a very successful businessman, a good administrator, and that he has the respect he deserves within his organization.

I am noted for the mistakes I make about birthdates and I'd like to say that our honoured guest is sixty-six, for at age fifteen – so he has said – he was already forty. Mr. Pocklington was a born trader, entrepreneur, and builder with his own business by age twenty-three.

The Pocklington Financial Corporation, of which he is chairman of the board, is a business organization which includes financial houses, packing plants, sports franchises, automobile dealerships, energy companies, and sizeable real estate interests throughout Canada and the southern United States. It employs sixty-five hundred people and in the last year it did $1.1 billion worth of business. Peter Pocklington has been quoted as saying "Canada's interests can best be advanced when the business community takes every opportunity to speak out in support of the free enterprise system."

As I am sure will be obvious in Peter's remarks today, he has a great love for Canada and the free enterprise system upon which the nation has been built.

Another good thing about Peter is his birthday, November 18. On that day in 1903 The Empire Club of Canada was founded in Webb's Restaurant. It is also my wife's birthday and our wedding anniversary.

But let me get back to what we are here for – comparing options: First we have *socialism* – you have two cows and you give one to your neighbour. Then *communism* – you have two cows; the government takes both and gives you the milk. And *facism* – you have two cows; the government takes both and sells you the milk. *Nazism* – you have two cows; the government takes both and shoots you. A *bureaucracy* – you have two cows; the government takes both, shoots one, milks the other, and throws the milk away. And, last but not least, *capitalism* – you have two cows; you sell one and buy a bull.

But – no bull – our guest of honour stands for capitalism.

Ladies and gentlemen, please welcome Peter Pocklington.

MR. POCKLINGTON:

Mr. Chairman, ladies and gentlemen: In recent weeks my Canadian speaking tour has been described in many ways. Some have kindly reported the tour as "Pocklington shares a message of hope," or "Let's make Canada great again." Others have reported it as "Pocklington attacks federal Liberals," or "Pocklington is a Trudeau-basher."

Trudeau was asked the other day by a reporter if it was true that he was born in a log cabin. He replied, "No, you must be thinking of Abe Lincoln. I was born in a manger."

I'm not saying he has a high opinion of himself, but the other day he was out for his morning stroll – and nearly got hit by a motor boat.

I was reading the classified ads in the *Globe*, and I noted that there was one which read: "Pierre Trudeau supporter wishes to meet another Trudeau supporter. Object: to find out if there is another Trudeau supporter.

I'm not here to bash the man but his basic philosophy of state socialism. His solutions are bankrupting us.

On Wednesday, August 13, 1969 – thirteen years ago – Trudeau went on national television in a major press conference to talk to the Canadian poeple about inflation and the country's financial future. He said then: "We would be on the way to financial disaster if nothing were done to bring spending under control. To spend vast sums on welfare, education, and other programs while allowing inflation to continue would merely place hundreds of thousands of Canadians on a treadmill they could not escape."

The Prime Minister also committed his government to a substantial cut in the federal civil service.

What has happened since August 13, 1969? Government spending has increased by $65 billion – a 400 per cent increase! The federal civil service increased by three hundred thousand individuals. That's double what it was!

In the last fourteen years our government has created a collectivist or statist society where rights and privileges, freedoms and responsibilities, are being destroyed for the sake of rules, regulations, and bureaucratic control.

In 1968, Canada was the third industrial power – today, in 1982, Canada is the fourteenth industrial power.

In 1968, the Liberal Party was a force to be reckoned with in western Canada. It was the party of *laissez-faire* capitalism that also looked after the poor. Today, in 1982, the Liberal Party has destroyed itself west of Ontario and is headed to the far left of the political spectrum – in fact, left of the NDP platform of 1968.

In 1968, Canada produced a strong dollar, inviting foreign investment. We were a country on the verge of sailing into the future with little or no worry about jobs, inflation, or energy. Today, in 1982, we have a government close to bankruptcy – our ship is sinking!

This government has little regard for our basic liberties and no respect for the concept of private initiative, private opportunity, or private ownership. What this government understands is state socialism – a form of government in which government runs virtually everything – and what it doesn't run, it cripples by over-regulation. In effect, they are trying to change Canada, and we must ask ourselves, are we going to let them do it?

And if we are *not* going to allow them to take us down this path, then we must reject this government.

If we are going to get this country back on track, then we're going to have to make some changes, and those changes must be more substantial.

And remember, we might not have seen the worst of this government yet. Mr. Trudeau still has two more years...and who knows how much more damage he may do in that period of time. Quit listening to what he says, watch what he does: economically, he's destroying our once great country.

Look at the shameful economic record of this government. Surely economic common sense begins with balancing your budget. The ordinary family has to live within its budget, and the government has exactly the same responsibility. Being in business, I understand there are reasons for debt – debt to build projects of national use and the debt retired over its useful life, not debt to finance Mexican oil and worse. But Mr. McEachen – before he finally got kicked back into external affairs – told us last November that he was budgeting for a $10-billion deficit. And if you were like me, and you were horrified by that, how did you feel in June when he announced that the $10 billion was a little on the optimistic side – that the real deficit would in fact be $20 billion.

Now it appears it will be closer to $30 billion.

Thirty billion dollars of debt in a single year! Does anyone seriously think we can avoid a worthless dollar under this kind of fiscal mismanagement?

We have already gone from being among the top three countries in the world in Mr. Diefenbaker's time, to the edge of national bankruptcy under Mr. Trudeau! Today, we are headed towards a socialist abyss of economic ruin – and the rest of the world is watching us, wondering if we have taken leave of our senses. Let me quote from *The Economist* in London, which last month ran a special issue on Canada. The article summed up our government's economic ability in six words. Here are those six words: "Fiscal discipline is nowhere in sight." End of quote.

This government seems not to have the slightest idea of how to control itself – how to put this country back on its feet. But what must be done, I believe, is really quite clear.

No more ninety-day Band-Aid solutions. In their place we must have a five-year program of balancing our budgets, printing no more currency than is produced by the total economy, which will restore single-digit interest rates! This will put our people back to work.

And in achieving these objectives, we will bring back that deep sense of purpose into the thinking of the average man on the street. This is why I'm talking to you today. I want to remind you that Canadians used to have a sense of purpose.

It's hard to believe that this is the Canada which had so much going for it back in the sixties: the sense of excitement we felt in the idea of the whole world coming to Expo '67; the great celebration we had for our hundredth birthday; the sense of enthusiasm which filled our people with energy, vitality, and hope. Everybody had a project – a new home, a new car, a new business, a new job. We were a country on the move, and nothing was going to stop us.

That flame must be rekindled.

I am convinced that we are just as resourceful, just as resilient, just as capable of carrying our own weight now as we were in 1967. But we cannot carry the weight of a government which demands the right to run every facet of our lives. We can't afford that style of government: it's too expensive, it's chronically inefficient, it encourages bad habits, and it attacks the very dignity of a free and independent people.

Abraham Lincoln set out the principles of good government and good citizenship more than a hundred years ago – not just for the United States, but for free people everywhere. He stated: "You cannot bring about prosperity by discouraging thrift. You cannot strengthen the weak by weakening the strong. You cannot help the poor by destroying the rich. You cannot build character and courage by taking away a man's initiative and independence. And you cannot help men by permanently doing for them what they should be doing for themselves."

People have asked me what a leader of this country should be doing to create a dynamic atmosphere for our citizens.

My answer. . .restore faith in our dollar. No more tinkering with the money supply, either by the inflationist's method of simply printing more or by the monetarist technique of allowing public debt to expand without printing the equivalent currency. Restore the concept of private enterprise – which means remove government from the marketplace.

I wonder how many of you realize there are now six hundred thousand civil servants on the federal payroll – many of them doing jobs they ought not to be doing. A civil servant should never be put to work at something which can be done better, cheaper, and more efficiently by private enterprise. A civil servant should never be able to tell a private citizen how he must run his business. And a civil servant should never, ever be allowed to do both – not only set the rules for the competition, but compete with the citizen for the same consumer dollar.

Therefore:

- privatize Air Canada,
- privatize Canadian National Railways,
- privatize Petro-Canada,
- privatize the Canadian Broadcasting Corporation,
- and never permit a man like Marc Lalonde to give such power to the National Energy Board that it can almost destroy the whole of the energy industry in Canada in just eighteen months.

Dear Mr. Pocklington:

Could you please advise me on the following problem. I am twenty-five years of age and have two brothers. One is working for Petro-Can and the other is serving a nine-year sentence in Stony Mountain for murder and arson.

My two sisters are on the street and my father is living off their earnings. My mother is a psychic.

Recently I met a charming girl, a single ex-prostitute and mother of three children. My problem is this: should I tell her about my brother who is working for Petro-Canada?

Signed,
Confused

Our national debt must be repaid to avoid us becoming another Mexico or Argentina. There are only four ways in which any government can repay a national debt:

1. Print more paper money.
2. Borrow from Peter to pay Paul.
3. Increase taxation or chop expenditures.
4. The most workable alternative – sell assets, of which our government owns hundreds of billions of dollars worth.

We should have long-term agreements to sell coal and other natural resources to Pacific-Rim countries.

We should be selling a percentage of our huge surpluses of natural gas to the United States instead of capping the wells and letting the gas companies wither into bankruptcy.

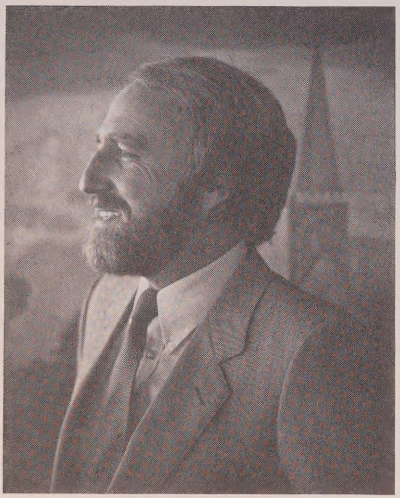
We should be selling surplus water – a renewable resource from Great Bear and Great Slave – to the eager markets of the parched American Southwest.

In short, the world cries out for the resources we have in tremendous surplus. We are a blessed country. And if we undertook the intelligent marketing of a small percentage of these resources, in a spirit of co-operation with private industry and our foreign neighbours, we would wipe out our national debt within a decade.

A federal law is required that will demand an “economic impact statement” for every new piece of legislation. In the United States, they require “environmental impact statements” for business proposals; why not “economic impact statements” that clearly lay out the real present and future costs of legislation? It’s one way to ensure fiscal sanity in the federal budget process, which, of course, requires a properly recorded consolidated balance sheet.

Our foreign policy should be run on the concept of full partnership and contribution to the free nations of the world.

At home – remind our citizens that virtue and charity begin at home. It is not the job of government to act as Big Brother to a whole population. There’s a big difference between helping the little guy – the guy in need – and so orchestrating his life that it’s virtually impossible for him not to be in need. The



Peter Pocklington,
Chairman,
Pocklington Financial
Corporation

responsibility for the person in need cannot be solely the responsibility of government. Among a free people who believe in free enterprise, some of the responsibility for those in need must be taken up by the family, the church, the community, and the individual himself.

Broadly, what I advocate is that each individual must be given the chance to develop his own life according to his own desires, according to his own aspirations, and according to his own abilities. If the government controls your life, you are being disenfranchised from your own destiny.

But what of the citizen who is genuinely needy? I accept, with deep compassion, that there are such citizens. There are those who have been stricken with illness or accident, those who have chronic or permanent disabilities, those with nowhere. else to turn. I believe we are our brother's keeper, and must help these people in any way we can. Whatever the task requires, it should be freely and creatively given by us all. But – I do not believe in making the safety net too comfortable. I do not believe you motivate people by offering to take care of them from cradle to grave. That isn't helping them – that's enslaving them. When a person is down, you give them opportunity, encouragement, a bridge to another job – not a lifetime of handouts.

Universal welfare programs are not only expensive, they are ineffective. But, most of all, they are morally destructive. A nation is not made great by carrying its citizens on its back. A nation is made great when its citizens have the freedom and the resources to live a life of their own choosing. This only happens when a citizen gets to keep the fruits of his labours. If the major portion of his income is spent in paying for his government, that citizen is not his own master.

The only purpose of any tax, as I have said to audiences across this country, is to provide essential services. No frills, No give-aways. No dead horses. Essential services. The defence of the country. Care of the chronically disadvantaged. Programs designed to stimulate both the citizen and the corporation to full productivity.

I propose that these essential services could be paid for at a flat tax rate of 20 per cent. Everyone would pay it except families making less than twelve thousand dollars a year. They would pay nothing.

For all of us, that would mean that eighty cents of every dollar we earn would be ours – to spend, to save, to invest.

Every corporation would also pay the same flat rate – twenty cents on every dollar of profit.

And there should be no shelter of any kind in the tax laws. We could do away with tax lawyers. We could shrink the huge civil service involved in tax collection. We could do away with a tax form longer than a single sheet of paper. We could do away with millions of man-hours spent trying to figure out not only how much we owe, but how to beat it.

And, with a national government cut down to rational size, that tax base is more than enough to meet all of the expenditures of a balanced budget. Plus some. In fact, it would net more than our present archaic "destroy the middle class if you can" system. The Fraser Institute in British Columbia is in the midst of preparing a complete study of the flat-rate tax system. It demonstrates that this system raises equivalent revenue.

Ladies and gentlemen, don't be made nervous by this plan's simplicity. Simple ideas and simple solutions are quite frequently the best ideas and the best solutions. And consider the immediate advantages to all of us. There is, first of all, the knowledge that nobody is getting a free ride. Everybody pays – and we all pay the same percentage. Instantly, more money is in circulation – in the hands of those who earned it. And money in the hands of citizens will always mean more trade, more manufacture, more commerce, more employment, more purchasing power – more of all those elements which make for a healthy economy.

Ladies and gentlemen, 1984 isn't that far off. We have a choice then, between more of Big Brother or a return to running our own lives again.

To quote Benjamin Franklin: "A nation of well-informed men, who have been taught to know and prize rights which God has given them, cannot be enslaved!"

It is in the region of ignorance that tyranny begins.

I want to see Canadians running their own lives again.

I want to see Canada great again.

I want all of us to know that our future is in our hands. Let us go forward together to meet that future with great determination. Let each and every one of us firmly believe that a people can only be great if every individual citizen is free to reach the highest limits of his destiny. That's what I want for Canada – and if we want it enough, there's nothing to stop us.

The appreciation of the audience was expressed by Patrick Boyer, Secretary of The Empire Club of Canada.

NOVEMBER 11, 1982

Canada's Military-Industrial Complex

AN ADDRESS BY The Honourable Barnett J. Danson, P.C.

CHAIRMAN The President,
Henry J. Stalder

MR. STALDER:

Distinguished members and guests, ladies and gentlemen: If war is nothing else but the continuation of politics with different means, as Clausewitz claimed in the early nineteenth century, then it is ludicrous to believe that those "different means" would stand for anything civilized like a conference table talk.

And if we need an older testimony, then we might find it in the work of the Greek philosopher Herakleitos who, almost twenty-five hundred years ago, said: "War is the father of all things, king of all things; he turns some into gods, the others into men; some into slaves, the others into free men."

This leads us to the conclusion that we must choose between idealism and realism, for things have changed in all this time but men definitely have not. Idealism would be the heavenly state of affairs in which your only weapons would be wings, a halo, and a harp. Realism is the good old poker game with the deck, the cash, and the gun. Liberty lets you play the game, cash measures advances and declines, but your security depends on your defence. Therefore, let us not forget that our intellectual and material liberty is the most valuable asset we have and that that liberty can never be assured. Like happiness, it has to be created and recreated, assured every moment.

Our guest of honour has been a soldier, a politician, and an industrialist, which highly qualifies him to speak with authority about today's issue – Canada's Military-Industrial

Complex. The Honourable Barnett J. Danson, P.C., was born in Toronto in 1921 and educated in this city. He served with the Queen's Own Rifles of Canada in the Second World War and was wounded in Normandy in 1944. Subsequently, he served as the Honorary Lieutenant-Colonel of the Regiment. He founded the Danson Corporation Ltd., a firm engaged in the engineering, manufacturing, and distribution of production and processing machinery for the plastics industry, in 1953. He has served as Chairman of the Board of the society of the plastics industry of Canada and was a board member of the associated American society as well as the Society of Plastics Engineers. He was elected to Parliament for the constituency of York North in 1968 and served until 1979. He has served on commons committees of finance, trade and economic affairs, external affairs and defence, and he was the Canadian co-chairman of the Canada–United States inter-parliamentary group. He joined the federal cabinet as Minister of State for Urban Affairs from 1974 to 1976 and he was Minister of National Defence 1976 until 1979.

Currently, he is Chairman of CSPG Consultants, Acting Chairman of De Havilland Aircraft of Canada Limited, a Director of Victoria and Grey Trust Co., Methon Energy Corporation, and Scintrex Limited.

Mr. Danson is a Director of The Empire Club of Canada, the Ontario Safety League, the Canadian Council of Christians and Jews, and the Canadian Institute of Strategic Studies, as well as Chairman of the Back Association of Canada.

Ladies and gentlemen, would you please welcome our guest of honour, the Honourable Barney Danson, P.C.

MR. DANSON:

Mr. Chairman, ladies and gentlemen: The term *military-industrial-complex* implies a cohesive relationship of an influential arms industry in league with a military structure which exerts significant influence over government.

policy, which in pursuit of its own interests tilts or distorts the policy orientation of governments. It conjures up visions of cigar-chomping, crew-cut generals dripping in medals and gold braid, and sinister civilian merchants of death exulting over destructive weaponry as ill-gained profits are amassed. Even to the extent that these caricatures may represent some close-to-real-life elements in some nations, they have no valid counterparts in Canada.

This is not to suggest that we should not, or do not, have people, organizations, and companies who are genuinely and deeply concerned about our ability to maintain our sovereignty and security and the need to be capable of responding in the event of an emergency. It would be recklessly irresponsible, in both security and economic terms, to allow ourselves to be exposed by ignoring or eliminating our defence-industrial capability as some would have us do.

I am sure that all of you here share my hope and determination to seek all realistic measures to reduce the dangers of war, especially to eliminate the spectre of nuclear war, and to see our leaders find more rational methods of resolving international conflicts and disagreements. On this Remembrance Day, we are reminded of the dreadful human costs of war. We are also reminded of the consequences of being unprepared. I can never forget the day when, as a teenager, I marched with my regiment down University Avenue to Union Station, across the street from where we are now, onion sacks over our shoulders holding our meagre gear, and wearing what we called "Coca-Cola hats." Some of us lacked proper uniforms, but we had arm bands lettered Q.O.R. We couldn't even manage the full name of Canada's most distinguished regiment.

It took years, countless lives, and immense treasure before the resources were ultimately mobilized to enable us to snatch victory from close defeat. We allowed ourselves to be tragically vulnerable. My three closest friends did not emerge from Union Station when the Regiment returned some five years later; that story describes the experience of tens of thousands of Canadians and millions of others around the globe. Indeed, had we been prepared, Mr. Hitler could well have been deterred from his perverse adventures, which cost far more than preparedness would have, and, more importantly, millions of human lives would have been spared, and nations now subjugated would still be free.

But I'm not here to talk about the tragedy of war – that is all too apparent – nor to put a positive light on the arms race. Even if we were to be successful in eliminating nuclear arsenals, if the current tensions and the imbalance of conventional weapons capacity continued to exist between east and west, we would still be faced with the need to substantially upgrade our conventional capacity to provide a credible deterrent. Even if our leaders were wiser than they have been throughout history, and we could normalize relations, I doubt if anyone would suggest that we could ever be without our own Canadian forces. Indeed, any nation which cannot demonstrate its sovereignty over its own land, sea, and air space is not a truly sovereign state. In military terms, few, if any nations, can go it alone. Really only two nations can, and, prudently, they choose not to do so. This requires us to align ourselves with like-minded nations who share our values and, to an extent, our geography, and to carry our fair share of responsibility in such an alliance.

I am not dealing today with any specific types and levels of military capacity, but with the equipping of a continuously existing armed force. We have the choice, at least in theory, of making all or most of it ourselves, like the neutral Swedes and Swiss whose expenditures and armaments industries far exceed ours as a percentage of GNP. Alternatively, we can purchase offshore, like many small under-developed countries, with all the economic, industrial, and security consequences that that implies. I believe that most Canadians would opt for a reasonable balance between what we spend and what we build. The cost and complexity of modern defence equipment and the need to achieve as high a degree of standardization within our alliances as possible, necessitates that we work in concert with our allies to achieve the best balance and greatest economies possible. Wisely and in our own self-interest Canada has chosen to specialize in areas which complement our requirements as dictated by our geography, climate, strategic location, scientific and technological skills, and objectives. These areas include communications, aerospace, transportation, electronics, surveillance, ship-building, and cold-weather survival.

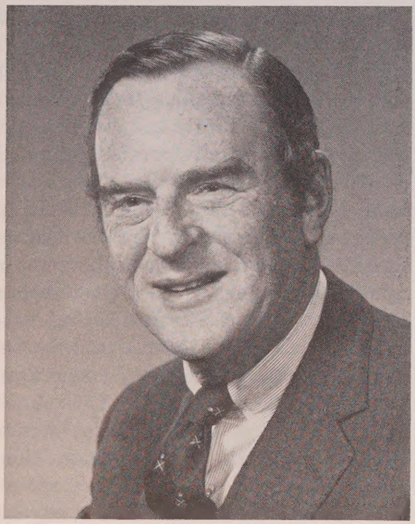
We have a huge land and air mass with the longest coastline of any nation on earth. We need to generate all the capabilities we can to function in this environment. We are good and we have unique skills to contribute militarily as well as meeting the civil needs that have to be fulfilled.

Yes, we do make some things that go bang, or we carry things that do, such as the small arms and artillery ammunition at Valcartier Industries in Quebec, or the armoured cars at GM Diesel Division in London (which just received a large order from the American military totalling at least $625 million and possibly $1.3 billion). This armoured vehicle general purpose (AVGP) created a demand for high-quality armour plate; the best of this was available from France. In seeking a Canadian source, which is standard procedure, we found that Canadian Heat Treaters of Richmond Hill, Ontario, had developed a formula which rated 30 per cent better than any other armour plate available; thus another Canadian company had developed new markets. The CVR-7 air-to-ground rocket missile at Bristol Aerospace in Winnipeg was developed by the Defence Research establishment in Valcartier; it is filling an important requirement in our air force and in those of our allies. It is the height of hypocrisy to accept the need for such ordnance and then to display the self-righteousness some demonstrate when we or others produce it.

Until recently, our largest military expenditure in the defence budget, some 60 per cent of the total, was for personnel pay and allowances. Most of the balance was for infrastructure and logistics; only 9 per cent went for new equipment. This created a close to desperate situation; not only were we ill-repared to meet our security commitments, we were exposing our military personnel dangerously, and the cost of maintaining the old equipment that *could* still be maintained was staggering. In 1975 the federal government shifted defence priorities as it became apparent that the conciliatory words from Moscow were accompanied by the greatest build-up of military hardware in peace-time history. Today some 22 per cent of the $7-billion defence budget is directed to new and replacement equipment. By the end of this decade we should achieve the desired balance of 30 per cent for new equipment, 45 per cent for pay and allowances, and 25 per cent for operations and maintenance. Defence expenditures not only enhance our security with and commitment to our allies, they also enhance our industry, economy, and, very significantly, our scientific and technological capabilities.

Defence procurement in the aircraft and aerospace field, with which I am most familiar, has been critical in making companies like De Havilland, Canadair, Pratt and Whitney, CAE, Fleet, SPAR, and others world leaders in the civil high-technology marketplace. These companies and their suppliers from coast-to-coast conduct some 20 per cent of the research and development done by industry in Canada and are suppliers to the airlines and aerospace industry around the globe. The much-maligned Litton Industries supplies over half of the inertial navigation systems in use by commercial airliners. I find it hard to take seriously those people who would have us transfer this sort of defence business, this technical capability, and these Canadian jobs to California. The expertise and skills developed in making these products is a very significant contribution to our high-technology capability that is absolutely essential to maintain our position as an advanced industrial nation. What really concerns me is our ability to meet our commitment to Western security and to have the capacity to respond in the event of an emergency. We once had a Department of Munitions and Supply and a Defence Industries Preparedness Association. Neither exists now because there are few companies or industries dedicated strictly to defence. Munitions and Supply has been absorbed into the Departments of Industry, Trade and Commerce and Supply and Services. Strong industrial organizations such as the Air Industries Association of Canada, and the Canadian Electrical and Electronic Manufacturers Association, to name only a couple, work together with the Departments of National Defence, Transport, Communications, and Science and Technology, with the vital support of Industry, Trade and Commerce and the procurement and development role of the Department of Supply and Services, to advance the industrial base of the country. They are not just defence industries; they are major elements in our total industrial fabric. Through our NATO relationships and our Canada–United States defence production sharing agreement we aim to maintain a balance, over time, between procurement and purchases with other nations and to maintain the flow of technological interchange.

Since 1962 we have achieved a cumulative trade surplus of close to $2 billion on overseas defence trade. Our deficit with the United States, however, is now some $500 million, and this could increase, largely as a result of our CF-18A fighter aircraft purchase, in spite of the fact that we have guarantees for almost $2½ billion in industrial benefits and conditional commitments, based on competitiveness, for almost $450 million. On the Aurora Long Range Patrol aircraft, offset commitments approach $1 billion and are ahead of schedule. This imbalance with the United States is why the GM Diesel division armoured car contract is important, as is the recent United States navy purchase of Canadian haul-down equipment – from Daf Indal of Mississauga – to secure helicopters to the decks of ships.



The Honourable
Barnett J. Danson, P.C.

Pratt and Whitney of Longueil, Quebec, are the acknowledged world leaders in Turboprop gas turbine engines with 1981 sales of some $770 million, a large portion of which is generated by export sales. Employment at P&W, until the current general economic decline, averaged eight thousand people. These are high-skill jobs and are of great benefit to Canadian workers and industry. These jobs and the company development would not have been possible had Pratt and Whitney not cut their teeth on a contract for one thousand Wasp engines for Harvard trainers required by the Canadian and American military. When this capacity was developed and Canadian capability proven, the parent American company transferred increasing elements of its business to the Longueil operation with world product mandate, which allowed the company to grow to what it is today – the world's largest builder of turboprop engines, supplying De Havilland and its competitors internationally.

De Havilland is a respected and successful world leader in civil STOL aircraft, selling in 77 countries. This would not have been possible if we had bought Tiger Moth trainers and Mosquito bombers off the shelf from the United Kingdom. Now De Havilland is looking beyond its traditional STOL and commuter aircraft role and is negotiating to become a possible partner in the European Airbus Civil Jet Airline Consortium. Canadair is a world leader in business jets and forest-fire-fighting water bombers, plus other sophisticated equipment. This would not have been possible had they not built the North Star for what was then the RCAF and TCA. After the North Star, Canadair built a large number of more sophisticated airplanes, including 1,815 F86 Sabre jets, 656 T33 trainer jets, 340 F104 fighters, 33 Argus maritime patrol aircraft, 12 Yukons, 210 Tutor aircraft, and 340 CF5 fighters. Many of these aircraft were exported and used in defence and civil airline applications by our NATO partners and friendly forces. This accumulated experience and expertise provided Canadair with the background which enabled the company to design and build the highly regarded and successful Challenger. Each of these productions was a building block which enhanced Canada's high-technology capability.

SPAR Aerospace, which grew out of De Havilland, is now a legend with its space arm, satellites, and other very high-technology products, as well as contracts in largely civil, but also military fields. SPAR has literally given Canada a foot – or an arm – in space.

Canadian Marconi and Canadian Aviation Electronics in Montreal, IMP in Halifax, Fleet in Fort Erie, Bristol, Boeing, Standard Aero and others in Winnipeg, plus a wide range of specialized suppliers and skilled sub-contractors across the country each have their own remarkable stories to tell. These are stories that would not exist if we had not taken the best advantage of defence expenditures and used them to advance our high-technology industry and skilled work force.

I can't overemphasize this last point, because our future in an increasingly competitive world hinges, not on our raw resources, but on our ability to use our skills and brain power. We trade with developing nations with whom we cannot compete on a wage basis, and enjoy the competition of others, most notably Japan, a country which will move too far ahead in the technology race if we don't use every possible opportunity to increase our involvement in high-tech areas, developing and honing our skills to produce high-quality goods and services at competitive prices. Many of the same ingredients nurtured and demanded by the defence industry are essential to our economic future. For example, there is hardly an airplane flying in the non-Communist world that doesn't have Canadian manufactured components aboard.

In winter, arctic, anti-nuclear, and anti-biological clothing, our textile and garment industries rate with the best in the world and are supplying our own and other forces abroad.

As I have said, the development and production of major defence systems and our overall defence concept with our allies are based on the premise that we cannot go it alone. We must become partners with others.

We learned this lesson in February 1959, when we terminated production of the Arrow, the most advanced interceptor aircraft of its day. We did not have a requirement for the Arrow in our own air force that would come close to making it economically viable to produce and we couldn't find customers elsewhere. Today we buy major systems such as tanks and virtually all military aircraft offshore, and procure, through off-setting industrial benefits, significant production of the world-wide production of the selling company, or other commercial, industrial, scientific, and economic benefits which are frequently unrelated to the equipment purchased and which, in many cases, are unrelated to defence. These offer strategic benefits to Canadian industry in jobs, world markets, or technology transfers which will outlast and be unaffected by the vagaries of defence spending, an expense which hopefully will decline over the years.

The Canadian approach is especially important now because it means that while we are maintaining our capability, indeed enhancing it, we do not have a deep vested interest in armaments, which in some nations has had more than casual impact on its foreign policy. While the defence segments of our industries are important in terms of our security and technology and economic base, they are largely geared to areas that can be exploited to take advantage of new and peaceful opportunities and significantly contribute to the enrichment of the nation and the quality of life. It is only with the maintenance of our sovereignty and security that we can have the basis for such a quality of life. Thus, obviously, we must maintain a reasonable state of preparedness.

We don't necessarily engage in defence spending because it is good for the economy. It is not an efficient use of our resources in a purely economic sense. The day that news headlines tell us that the superpowers have agreed to disarm will be the brightest day in the history of mankind. I'm sure that if this happens we will find more productive ways of using our resources. But, in the meantime, our approach to defence spending must be as productive and responsible as possible. And I believe it is.

There are other areas of the economy, basic to our security in total economic terms as well as at times of emergency, that cannot be left out of any discussion of defence preparedness. If we fail to improve our competitive position in the automotive field our steel industry falters, as do hundreds of dependent industries and companies across the land. The very capabilities required to prosper as a modern industrial state are those which would have to be mobilized rapidly in the event of emergency.

Our agriculture base is absolutely critical, and our ability to sustain our food supply, and that of our allies, is in itself a deterrent to a period of sustained emergency or war. Soviet agriculture's well-known deficiencies would make them reluctant to engage in a prolonged conventional engagement if they were certain that our military readiness would not allow them to quickly over-run Western defences. Peter Drucker once said that "nations are divided into those who know how to use technology to create wealth and those who do not." Only a prosperous industry can afford the innovation that generates more industry and jobs. And only a stable industry, reliable in an emergency, can underwrite the needs of national defence. National security and economic prosperity are opposite sides of the same coin, in this sense. We require both. But all too often we think only in terms of economic trade-offs. We are inclined to think of national security only when there is an obvious and immediate threat, and then it is usually too late. It should not be pigeon-holed in our priorities until an emergency arises. As the word implies, security is the capability to prevent emergencies from arising and that translates into a state of reasonable and adequate preparedness.

We cannot afford to bury our heads in the sand like the ostrich; if we do so, the family of free nations could well become an endangered species.

The message I want to leave on this Remembrance Day is that a strong defence demands a strong economy and one leads to the other. The approach Canada is now taking ensures defence spending results in stimulation, development, and sustainability across the broad spectrum of our industrial base. This, in turn, translates into jobs and expansion of our industrial capability and capacity.

We have just voted overwhelmingly to express our deep desire for disarmament. (And incidentally, I voted for it as I would have for a world crusade against cancer.) But let no one deceive us that the wording on the ballot last Monday was for any unilateral action or for a lessening of our commitment to collective security. Nor should the result be read by the

Warsaw Pact as meaning that we should be other than prepared. We are prepared to preserve our values; prepared to seriously seek every path to mutual and balanced arms reduction. But we are also determined that in doing our share we are not exposed to the blackmail which, in the past, has cost those precious lives which we remember with love, reverence, and sadness today.

The appreciation of the audience was expressed by Major-General Bruce J. Legge, President of The Empire Club Foundation.

NOVEMBER 18, 1982

Mega-Projects and Their Futures

AN ADDRESS BY Donald K. McIvor
CHAIRMAN AND CHIEF EXECUTIVE OFFICER
IMPERIAL OIL LIMITED

CHAIRMAN The President,
Henry J. Stalder

MR. STALDER:

Distinguished members and guests, ladies and gentlemen: Happy birthday to The Empire Club of Canada. We are slipping from our seventy-ninth to our eightieth year. On November 18, 1903, in Webb's Restaurant, the first meeting of The Empire Club of Canada was held. Lieutenant-Colonel James Mason was the first President. Membership was limited to five hundred; within a month there were three hundred members and two years later there was a waiting list. Now, the club's membership is over two thousand.

Our guest of honour could be a free man, if he did not have to deal with the National Energy Board, the National Energy Program, the Petroleum Monitoring Agency, the Energy Supply Allocation Board, the Petroleum Incentive Administration, the Canada Oil and Gas Lands Administration, and last but not least, the Foreign Investment Review Agency. And the industry he represents could be a free industry if it were not subject to "capital punishment," which can be defined as follows the government limits and taxes the industry so that it can go into business on its own in competition with the free market, and *then* taxes the profits of the industry to pay for its own failures.

And this government's management comes in different disguises. For example, take the former Minister of Energy – he went for management by Murphy's Law: if something can go wrong, it will! Or the former Minister of Finance – he was betting on management by kangaroo: "big hops with empty pockets!"

Pardon me for the foregoing remarks. We are a non-political speaking platform giving equal opportunities to express opinions. And today, we have with us the Chairman and Chief Executive Officer of a large, mostly foreign-owned, company, Imperial Oil Limited.

Don McIvor, was born in Winnipeg, Manitoba, and received an honours B.Sc. degree in geology from the University of Manitoba in 1950. He began work with Imperial as a geophysical trainee on a seismic crew in Alberta and between 1950 and 1958 he held various operational and research positions in exploration with Imperial and affiliated companies. Between 1958 and 1968 he held a variety of positions in Calgary, including Assistant to the Exploration Manager, Supervisor of Exploration Planning, and Manager of Exploration Research. During this time he also held brief overseas assignments in Angola and France with evaluation teams from Standard Oil of New Jersey (now Exxon Corporation). Mr. McIvor spent a year as an employee of the Jersey Production Research Company in Tulsa, Oklahoma before moving to Toronto to become Assistant Manager and then Manager of Imperial's Corporate Planning Department. In 1970 he became Imperial's Exploration Manager.

Upon his return to Imperial in 1973 he was named a Senior Vice-President and Director, and in 1975 he became Executive Vice-President. In 1977 he joined Exxon Corporation as Vice-President with responsibility for oil and gas exploration and production. In July 1981, Mr. McIvor returned to Imperial as Deputy Chairman and Director; he assumed his present position in January 1982.

Mr McIvor is a member of the Canadian Society of Petroleum Geologists and a member of the Board of Trustees of the Fraser Institute.

Ladies and gentlemen, please welcome our guest of honour, Mr. Don McIvor, Chairman and Chief Executive Officer of Imperial Oil Limited.

MR. MCIVOR:

Mr. Chairman, distinguished guests, ladies and gentlemen: It is an honour to be asked to a return engagement at The Empire Club of Canada.

Like many other Canadians, I find myself spending a good deal of time thinking about our economic future. It's become hackneyed to point out the magnificent human and natural resources we possess in this country. While this remains true, I keep wondering about what it is we can do to capitalize on these resources and to return to the more prosperous times we used to take for granted.

In sharing some of my thoughts with you today, I am reminded of the words of H.L. Mencken, who wrote: "For every complicated problem there is a simple solution – unfortunately, it is wrong." Therefore, when I venture some opinions as to solutions, I'll be mindful of the complexity of our economic situation.

Often when I think about our economy, my thoughts turn to – of all people – Charles Darwin. Ever since I was a young geologist I have been fascinated by Darwin's genius and the theory of natural selection he offered in his scientific classic, *The Origin of Species*. In the struggle for existence, Darwin suggested, those individuals better equipped for the struggle tend to survive and reproduce themselves, while those less well equipped often perish.

I think many of the ideas that Darwin developed to explain the workings of the organic world are quite relevant to our economic and social existence. Without pushing the analogy too far, in economic matters particularly, one can find striking parallels among the conditions that govern the natural world and those that affect the progress of our man-made institutions.

For example, economic history has taught us that systems and institutions that are unable or unwilling to adapt to change and that depend for survival on a continuation of the status quo are eventually doomed to extinction. Manufacturers of steam locomotives and vacuum tubes have fallen on hard times.

We have learned that some economic environments, like some natural environments, provide periods of comparative ease in which virtually all can survive and even flourish. The economic climate of the sixties and early seventies represented just such a period for many Western nations. On the other hand, there are times when the environment changes quickly and for the worse, in which only a few flourish and in which survival itself becomes a challenge. Today's economic climate falls unquestionably into that category.

Experience teaches us that such periods of rapid transition and difficulty generate high levels of energy and inventiveness on the part of those determined to survive. (As Dr. Johnson remarked, when a man knows he is to be hanged in a fortnight, it concentrates his mind wonderfully.) Thus the process of economic evolution, like its natural counterpart, does not proceed at a uniform pace. Change occurs relatively slowly in good times and accelerates in bad times.

But, overall, it remains an evolutionary process, rather than a revolutionary one. The key to economic survival, as in organic survival, probably lies in incremental adaptations and pragmatic responses to environmental change. Even the most radically different future contains many elements of the past.

If one accepts, in its broadest sense, the idea of economic Darwinism – that is, that those individuals and enterprises, and indeed countries, that do the best job of adapting to change stand the best chance of survival and prosperity – I think it offers us some profitable pointers as to how we might address our current problems.

I'll list some of these pointers to survival and future prosperity as I see them.

First, since economic change, like natural change, requires adaptation to survive, we need to focus our attention on the period that's ahead rather than on the period through which we have passed. There's no question that we can learn from past trends. However, our emphasis should be on rational speculation about the future. It's obviously impossible to forecast specific details of the future, but it is often quite possible to ascertain general trends.

Perhaps the safest way of preparing for the future is the Darwinian way – by allowing as many different entities as possible to pursue their own ideas. You only have to participate in bidding for oil leases – with all the variables that are involved – to appreciate the diversity of opinions that exist on how the future will turn out. Most bidders for oil leases turn out to be wrong, but a few winners emerge.

During periods of economic transition some industries and companies are bound to decline, while others will grow. In tough times, such as those we face today, there is a strong and totally understandable urge to protect jobs and incomes by maintaining the industrial status quo. But shoring up the weak links in the economy is not necessarily the best recipe for success.

We have to recognize the inescapable fact that some products and companies cannot hope to survive in a changed environment, support them how we will. They have to make way for the innovation that changing times demand. Therefore, while it may be necessary to succour the weak it is at least equally important to encourage the strong.

But changing times also present opportunities as well as problems. Many successful enterprises have been built on this philosophy. During World War II the Timex Company in the United States was a thriving little company making timing devices for bombs. Around the middle of 1945, however, the bottom fell out of the market for bombs. Someone at Timex got the idea of using the company's mass-production technology to manufacture inexpensive watches. The rest is history.

When the first market survey for computers was conducted in the United States in 1945 it was only able to identify five potential customers, all of them military. But that didn't discourage a few people with vision from getting into the field. Today, I think you'd agree, computers are reasonably big business.

But we don't have to look south of the border for examples of such enterprise. We have them right here at home. Over the past decade around six out of every ten new jobs in Canada have been created by small entrepreneurial firms.

Companies such as Mitel, Northern Telecom, Telidon, and Telesat Canada have made this country an acknowledged world leader in communications technology. Spar Aerospace, which built the "Canadarm," has played a vital role in the success of the space shuttle.

Such examples demonstrate that Canadians don't have to take second place to anyone when it comes to grasping the opportunities presented by a changing environment. Obviously, the commercial risks in such ventures are high. For every successful Mitel or Telidon or Spar there are scores – perhaps hundreds – of companies that fail.

This, I think, illustrates an important evolutionary principle which holds as true for the economic world as it does for the natural one. The surest recipe for survival and progress lies in having a multiplicity of competing species. Given the extremely long odds against being able to forecast the survival of any single species – or industry or company – any attempt to be very specific about future winners is unlikely to succeed. This is one reason why state-run economies (Russia is a good example) are notably less productive and efficient than those of Western democracies, which have traditionally adopted a pluralistic approach to social and economic development.

Attempts by governments to manage and direct their economic systems really amount to placing decision-making on how we will cope with the future in the hands of a small number of people, rather than allowing response to change to evolve naturally from the outcome of millions of competing experiments.

Such arbitrary efforts to forecast economic evolution create the possibility – or even the probability – for major errors. A multiplicity of competing experiments results in incremental adaptations to social and economic change, with a good probability of success. On the other hand, betting heavily on some grand design holds tremendous potential for disaster if the guesses behind the grand design turn out to be wrong.

And they frequently do turn out to be wrong, because any one group of assumptions we make about the future is rarely correct.

How many people foresaw the rise of NATO and the profound effect it was to have on international economies over the last decade? For that matter, who could have predicted far more recent events in the oil industry? A couple of years ago the assumption that world oil prices would continue to increase at a rapid rate for the foreseeable future, which was a basic premise of Canada's National Energy Program, was the conventional wisdom. Today, when oil prices have fallen in real terms, people who bet their companies – or their tax revenues – on that grand design are in deep trouble.

Half a century ago we could scarcely glimpse the profound changes that technological advance and resource development would bring to the economic and social structure of this country. Take agriculture, for example.

Fifty years ago, agriculture was highly labour-intensive. In 1931 considerably more than a million Canadians – or 29 per cent of the country's adult population – worked on farms. Today, agriculture employs fewer than half a million Canadians – 4 per cent of the adult population. Yet the value of Canadian agricultural output increased fourfold over the period, through increased mechanization, advances in plant genetics, and the development of herbicides, pesticides, and fertilizers. Today, Canadians are better fed than ever, while our agricultural exports help feed millions of people in other countries and earn us valuable dollars.

The manpower efficiencies that were achieved in agriculture helped to provide the additional labour required in the industrial sector. The transition was not accomplished without difficulty but it represented an inevitable step in this country's economic evolution. Today we may be facing the same kind of reallocation of human resources within the industrial sector with the trend from mechanical equipment to electronic devices that require less manpower.

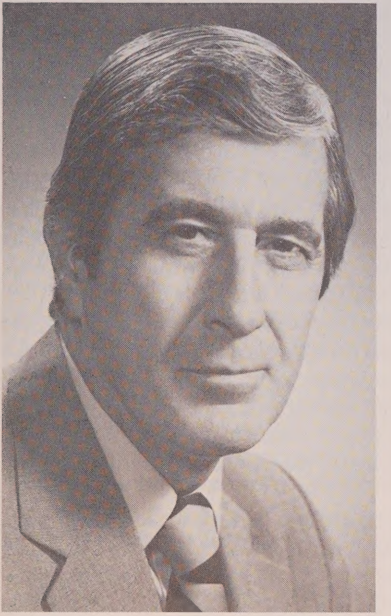
But, here our experience with agriculture provides us with another clue to the future. Agriculture did not disappear in the face of increasing industrialization. It is no less important today than it was fifty years ago. What happened was that it evolved and adapted to a changing environment.

In the same way, I don't think many of our present industries are going to vanish overnight. Undoubtedly, they will change – in fact, they must change to survive – and, like agriculture, they may give up manpower to newer industries. But transition is more likely than annihilation.

We are witnessing that kind of transition in the energy sector today. In Canada, as in some other Western countries, oil is gradually becoming less important as a fuel as natural gas and electricity become more so. But this does not mean that oil will become obsolete. Canada will likely need oil for a variety of purposes well into the twenty-first century.

And while the overall demand for petroleum products in Canada is shrinking, so is our crude oil production capacity. We have many opportunities to offset this decline in our oil-producing capacity, and even to increase production to the point where we are self-sufficient.

The important thing to remember is that no one can predict with certainty the future demand for any fuel. The example of coal is instructive. It got off to a bad start when, in 1306, King



Donald K. McIvor,
Chairman and
Chief Executive Officer,
Imperial Oil Limited

Edward I, who believed that burning coal made the air unhealthy, issued a proclamation making its use punishable by death. Even our federal government's program to discourage the use of oil stops short of the death sentence!

By the nineteenth century, however, coal was in enormous demand to fuel the Industrial Revolution. Then, as oil gradually took over, coal production went into a long decline. But today, for a number of reasons, coal is making a strong comeback. Who would have predicted it? The moral, in energy as in the economy generally, is that we should maintain maximum flexibility by keeping our options open.

Another aspect of our economy that would benefit from a

Darwinian approach is productivity – a key ingredient of any economic system. Never was it more crucial than it is in this country today. If we are going to remain competitive in world markets, we have to become more productive. I was encouraged by the emphasis Prime Minister Trudeau laid on productivity and international competitiveness in his recent series of television broadcasts. He was "right on" in regard to this vital issue.

Unfortunately, productivity too often falls into the same category as Mark Twain's weather, with everyone talking about it but few doing anything. It is a difficult problem; probably the toughest that Canada faces today.

But not, I think, insurmountable. Surely, once again, the answer lies in allowing multiple species to compete on equal terms. Productivity is bound to benefit from a system that encourages competition among many different players. It is bound to benefit, too, from a system that rewards real success, rather than just "busy-ness." We should never confuse activity with achievement.

So far today I have been discussing economic Darwinism in broad terms. How individual companies respond to a changing economic environment depends, of course, on their particular corporate philosophies. These range all the way from a consistent willingness to accept very high risks to consistent ultra-conservatism. In easy times the habitual high-flyers can flourish but they stand to get badly hurt when the going gets tough. The habitually ultra-conservative company, on the other hand, may be better equipped to survive hard times but, in boom times, tends to miss out on the action. Once again, adaptability to swings in the environment is the key to success.

At Imperial Oil we have had some very practical lessons in economic Darwinism in adapting to the difficult environment in our industry. Our response to severely reduced revenues and profits has been twofold.

First, we have decided very firmly that we will only undertake what we can afford. That means we have had to shelve, at least for the time being, some very promising projects. For instance, we simply haven't the cash to proceed with a full-scale Cold Lake project as originally envisioned no matter how good the terms are. But we'll still be investing around a billion dollars this year in other high-potential projects that promise a pay-off within a reasonable time. And we are examining the possibility of developing the Cold Lake deposits on an incremental step-by-step basis which could be said to represent a Darwinian approach to oil-sands production.

Second, we are intensifying our drive for increased productivity in every aspect of our operations. Such measures will improve Imperial's annual after-tax earnings by around 15 per cent from what they would have been without these efforts.

I said earlier that I would be careful about offering solutions. But if I were asked to draw up a blueprint for Canada's economic recovery, it would be influenced by the Darwinian thoughts I've been expressing. Here's what I'd suggest:

- Let's not assume that we can predict the future in fine detail. Let's avoid the temptation to lock ourselves into grand designs that may have the potential for disaster.
- Let's play the odds by encouraging a multiplicity of experiments rather than by betting our future on a few winners picked in advance.
- Let's embrace enterprise and innovation, regardless of their country of origin, and treat all corporate citizens equally.
- As a motivator, let's reward success, rather than "busyness." Why are we afraid to let success earn its just rewards?
- While encouraging success, let's not be afraid to cut losses on unsuccessful ventures.

and finally:

- Let's recognize that the skills, knowledge, experience, and enterprise of Canadians are our greatest resource. These flourish most in a climate where multiple activities are encouraged. They flourish less where pre-ordained designs focus on only a few activities.

In summary, ladies and gentlemen, I believe that our best chance for a prosperous future lies not in pursuing any kind of carefully structured economic grand design but in encouraging diversity, entrepreneurship, and productivity by many players in all sectors of our economy.

Charles Darwin's great breakthrough in scientific thought was his recognition of the fact that natural evolution is a creative process, not a negative process of extinction. I am convinced the same thought also holds true for Canada's economic evolution.

The appreciation of the audience was expressed by Montague Larkin, Third Vice-President of The Empire Club of Canada.

NOVEMBER 25, 1982

Canada in a Fragile World

AN ADDRESS BY Thomas J. Bata, C.C.
PRESIDENT, BATA LIMITED

CHAIRMAN The President,
Henry J. Stalder

MR. STALDER:

Distinguished members and guests, ladies and gentlemen: Welcome to this meeting of The Empire Club of Canada. It would be too difficult to do justice to all aspects of a life as full as that of our guest of honour, so permit me to tailor my introduction as a good fashion designer would a dress – long enough to cover the subject, but short enough to be interesting.

Forty-three years ago, Thomas Bata came to Canada from Czechoslovakia, bringing with him 150 families who had chosen Canada as their new homeland. Today, the Bata shoe organization, of which he is Chief Executive Officer, operates in ninety-two countries and employs directly eighty-five thousand people who produce and sell 300 million pairs of shoes per year.

Thomas J. Bata was born into a shoemaker's family in the community of Zlin, close to Prague. His life has been a success story which could top many a tale of a hotshot charismatic young capitalist; he got nothing the easy way and it is only hard work which allows him to hold onto the reins.

With the best of intentions, I simply don't have time to list all the positions held by Thomas Bata or the honours which have been bestowed on him. You will find it all outlined on pages 55 and 56 of *Who's Who in Canada*. Let me just say that he is a Companion of the Order of Canada and that on June

22 of this year he received the annual award of the Canada Council, International Chamber of Commerce.

Thomas Bata is a perfectionist who believes in responsibility towards the communities he does business in. He also believes that countries should develop the confidence to solve their own problems. He emphasizes that it is easier to breed economic nationalism in a successful and prosperous economy.

Ladies and gentlemen, please welcome our guest of honour, Thomas J. Bata, C.C.

MR. BATA:

Mr. Chairman, ladies and gentlemen: Since I am a Canadian internationalist I thought you would be interested in having me address myself to the subject of how Canada and Canadian business might benefit from greater participation in the opportunities which this constantly more and more interdependent world presents.

It may well be thought that in our current economic climate we ought to be concentrating on the short-term problems – some of us, indeed, on the very survival of our organizations. However, I think we ought to remind ourselves that even during the later stages of the Second World War, when the Allied forces were still engaged with the Axis in a battle for survival, there were already a large number of people devoting themselves to planning and taking actions which would speed up reconstruction and reconversion of the economies of the world. There were quite a number of us at that time criss-crossing the world in circumstances much less comfortable than travelling is today, working on these projects. Mike Pearson and C.D. Howe inspired much of this forward thinking and the fruits of their work contributed significantly to a speedy rehabilitation of the world, the creation of unprecedented prosperity, and an enhanced importance of Canada on the world scene.

This afternoon I would like to lift our sights from the immediate problems that face us, and discuss some major challenges of the future. I want to stress two themes: world-wide interdependence and the opportunities this creates, and the need to adapt to a rapidly changing environment.

These are important themes for Canada for two reasons. First, although we are one of the world's major trading nations, we have an unfortunate tendency to retreat into our collective shell during tough times and to become excessively preoccupied with our own immediate problems.

Second, success in the future, both in this country and elsewhere, will come most easily to those organizations and nations that recognize and successfully adapt to the dynamic nature of the world environment around them.

As I travel into even the most remote areas of the world, I run into Canadian industrialists, traders, bankers, consultants, engineers, and others, often pioneering and creating new opportunities and a Canadian presence. It is my hope that more Canadians will participate in this activity. They have readily available support from our more and more business-oriented diplomatic representatives, who if anything, would like to have their services used more often.

This century, particularly in the years since World War Two, has witnessed greater changes and greater advances than any other time in human history. The unprecedented growth in international trade; the rapidity of technological change; the rise of mass communications and expectations; and the growth of mass markets – all these have collectively contributed to an increase in material well-being that is without parallel. The current recession is severe throughout the industrial world, and the developing countries are facing many difficult problems, often as a result of the recession, low prices of commodities, high prices of energy, and government mismanagement. However, these will in the end, I am convinced, turn out to be no more than a pause in the pace of world economic progress.

The rapid pace of technological and economic development has brought us an increasing global interdependence. The driving force of economic progress over the past several decades has been the emergence of *polycentrism*. Whilst I propose to deal primarily with economic polycentrism, this phenomenon is affecting all aspects of international relationships, including the seats of political power.

The rate of change has been so rapid that it is easy to forget how different the world was not long ago. Before World War Two technological and commercial leadership within the world economy still largely rested with established European powers – the United Kingdom, France, and Germany. By 1945 the United States had become the established world technology leader, while some of the other countries of Europe were rapidly developing a capability for innovation.

Since the war, Japan has gone from developing country to industrial country status. Furthermore, in the last few years, Japan has gone from being an adaptor of technology to being at the leading edge of innovation. The newly industrialized countries – and even some other developing countries – are showing an increasing propensity to innovate. In the near future, no doubt, we shall see still newer centres of creativity and innovation spring up in places that cannot even be predicted at the present time.

In international trade the same patterns are apparent. Until very recently, it has grown at an unprecedented pace throughout the period since World War Two. While trade continues to be dominated by the industrial countries, the more progressive of the developing nations have expanded their role in the overall trade picture.

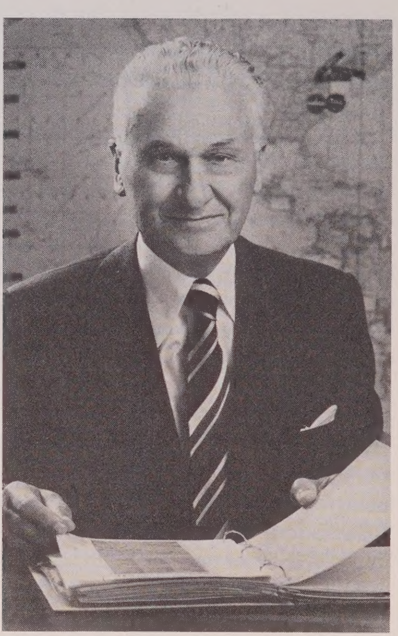
Again, in the field of international investment the same picture emerges. In the nineteenth and early twentieth centuries, the United Kingdom and Switzerland were the dominant exporters of capital, together with technology and management skills. Following World War Two the United States emerged as the major source of foreign investment. Since then, more and more countries, such as Japan and, more recently, India, have become foreign investors, and foreign direct investment has been increasingly a two-way street. Some relative newcomers to the field, such as Canada, have developed investments abroad, even though they remain, on balance, importers of capital.

Despite our continued need for foreign investment, particularly that which brings new expertise, I cannot stress sufficiently the importance of permanent Canadian entrepreneurial investment overseas, which would assure a Canadian presence in the long run. Last August, our Malaysian company was inaugurating a beautiful new second factory in Seremban. His Royal Highness, the Sultan of Negri Sembilan, and the Chief Minister came to officiate. The next day, Alcan inaugurated a major new expansion based on a new casting process. Both organizations have been active in Malaysia for many years and have a substantial local shareholding in their companies. There is no doubt that this presence gives our business-oriented High Commission additional credibility in explaining Canadian technological prowess in their endeavours to, for example, persuade the city of Kuala Lumpur to buy a Canadian-made urban transit system for their proposed urban transport project.

And down the umbilical cord of Bata or Alcan there continues to flow a supply of Canadian machines, materials, parts, and services, which is a pretty secure channel from a long-range point of view. In countries where we have had only licensees and no equity, the flow of relationship has tended to dry up relatively quickly. The value of a reverse flow of expertise and technology must also not be underestimated.

For this to succeed, some government action to make Canada an even more desirable base for international operations will be necessary. The competition is great and there is no time to lose, for in the future we can also expect more of the newly industrialized countries to emerge as world-wide entrepreneurs.

One could speak of other important influences as well, including the emergence of Africa and Asia from colonialism; the development of mass travel; of mass communications; and



Thomas J. Bata,
President, Bata Limited

of consumerism. All of these, however, are part of a larger trend that leads one to the inevitable conclusion that the world is becoming smaller, more integrated, and much more interdependent than at any previous time in human history.

There have been great benefits from these developments. Technological innovation, the cross-fertilization of ideas, increased trade, and increased international competition have all contributed to an enormous growth in the quality and choice of products available to the typical consumer in the industrial countries. Of course, all these have brought about a dramatic increase in consumers' standard of living.

Even in the developing world, significant progress has been made. This fact is easy to forget if one looks only at the statistics that show appallingly low incomes per capita. In truth, there has been great material progress made in many Third-World countries. In many of them, substantial segments of the population live very well within a sophisticated economy, as we would know it ourselves here. In a country like Brazil, this would apply to several million people, and in India to even more.

In our organization we can see this evolution taking place from the type of footwear which people buy. More people are buying leather shoes rather than simple sandals, and more and more are buying performance athletic footwear instead of ordinary canvas sneakers.

I submit that every day the opportunities for Canadian exporters and entrepreneurs are therefore becoming greater. Without the growth in trade, in investment, and in technological innovation and diffusion that has occurred in the last forty years, the lot of literally millions of people around the world would be much, much worse.

It is my view that the next wave of prosperity in the industrialized countries will come when we find a way to help the populous developing countries to dramatically increase their living standards, thus becoming able to buy our sophisticated industrial products.

However, there is another side to the story. An inevitable outcome of the rapid pace of change is the need to adapt, which is the second theme I wish to address this afternoon.

The rapidly changing face of the international economy has resulted in difficulties and dislocation in the economies of the older established industrial countries. There have already been dramatic reductions in the size of the textile, apparel, footwear, and other traditional industries in certain parts of Europe and North America. These changes were a result of the emergence of low-cost, high-quality sources for these products from the newly industrialized countries. Now the automobile industry in North America, and, to a lesser extent, Europe, has been successfully challenged by Japan. Tomorrow it may be automobiles from Korea, computers from Japan, and airplanes from Brazil. Many of the largest exporters from the Third World have become successful through a combination of low-cost labour, a strong work ethic, and, unfortunately, in some cases substantial subsidies, hidden or overt, for exporters. However, the process of development inevitably leads to an increase in wages as the successful countries absorb more and more hitherto under-utilized labour.

We have seen Japan move from a low-wage exporter of relatively simple merchandise to a high-wage exporter of technologically sophisticated products. Singapore has followed a similar strategy and other countries in Southeast Asia and elsewhere are likely to do so too. These developments quite naturally have led to pressures for protection, for political solutions that attempt to turn back the clock and delay the inevitable necessary and desirable process of adjustment.

There are ominous signs that in the tough environment of the 1980s protectionism will come to be regarded as a solution to our economic ills. Fortunately, however, there are also trends that suggest we are learning to face the problem of adjustment fairly and squarely. Some industries, such as the automobile industry, are taking great risks and investing huge sums to enhance product quality and to cut costs in order to meet the challenges from abroad.

Even in Canada, a country where we have tended to try to avoid difficult periods of change, I hear more serious discussions about streamlining our industries, reverting to the work ethic, improving productivity, and moving industrial relations towards co-operation instead of confrontation to increase our international competitiveness.

The less-developed countries are starting to appreciate the real potential for multilateral trade links. They are beginning to open up their borders to other countries' merchandise. To date, very little of world trade has been conducted among the developing countries themselves. More trade among developing countries provides a potentially great channel for increasing industrialization, competition, and innovation within the world economy. This would also avoid putting further pressure on the already saturated markets of the currently industrialized lands.

A rapidly changing world gives rise to a constant need to adapt to new conditions. Despite the enormous benefits, both realized and potential, from the trend to polycentrism, the problem of adjustment cannot be taken lightly. However, I think one can be optimistic. Despite the dislocations for the mature economies and the calls for protectionism that one hears, the process of adjustment is under way. And this adjustment will continue.

What does this mean for Canada? I think we must realize that no nation-state can thrive in isolation in our interdependent world. Too often this country has resisted interdependence with the rest of the world in the mistaken belief that economic nationalism will preserve our national identity. Fortunately, I now sense a feeling in many quarters in Canada that we have gone too far down the road of economic nationalism. I am convinced that our own economic interests would best be served by pursuing more open-door international policies.

As it is not possible for Canada to develop its own leadership in *all* of the many new fields, it is essential that there be a constant inflow of the ever-changing technology and expertise from wherever it may develop.

We can, however, be justifiably proud of the innovations we have already made in Canada, despite the small size of our market. Canada has developed leading-edge technology in such areas as telecommunications, electric power generation and transmission, resource development and transportation, and in some areas of textile and footwear technology. This is a good base, built on our experience, that will serve us well as we develop our niche in a dynamic world. And fortunately, there are signs, both in private industry and in government, of a surge of interest in rapid technological development.

Canadian organizations, I believe, must also understand the nature of global interdependence. An enterprise is unlikely to be truly successful if it serves only the needs of twenty-four million Canadians. In the future, the most successful Canadian businesses will be those that recognize that the world, not just Canada, is the potential market.

The world is changing – economically, technologically, and politically. This is a marvellous opportunity for a determined and resourceful Canada.

The appreciation of the audience was expressed by Sir Arthur Chetwynd, BT, a Past President of The Empire Club of Canada.

DECEMBER 2, 1982

Dear Mr. Government, Love Me, But Leave Me — Alone!

AN ADDRESS BY J. Trevor Eyton, Q.C.,
PRESIDENT AND CHIEF
EXECUTIVE OFFICER, BRASCAN

CHAIRMAN The President,
J. Henry Stalder

MR. STALDER:

Distinguished members and guests, ladies and gentlemen: In my search for background information about our guest of honour, I came across such qualifications as enigmatic, mysterious, and secretive, but generally, Trevor Eyton was very highly and respectfully spoken of. So as to reveal a little bit of his cautiously guarded private side, permit me to draw some parallels between two longtime friends: the Reverend J. Allastair Haig and Trevor Eyton. Both are graduates of Jarvis Collegiate. Both became prominent leaders in their academic careers and on the athletic field. Both are distinguished graduates of the University of Toronto. Both hold the much-coveted Bronze T, which one is awarded after excelling three times in senior sports. Both could have played pro football, be it as a kicker, fullback, or lineman and, who knows, maybe the Argos could have beaten the Eskimos. As well, both were chosen Captains of their football team.

But now we come to their involvement in Grenville Christian College. Al is Headmaster and Trevor is a Patron of this fine college where, amongst the patrons, you will find as well the Honourable Pauline McGibbon, the Honourable Jean Casselman Wadds, and one of our distinguished Past Presidents, Sir Arthur Chetwynd, BT. We have heard the fine Grenville

Christian College Choir both on the occasion of our last Christmas luncheon and on Dominion Day. Currently, the College has a building campaign under way to raise approximately $1.5 million; and to encourage others to do the same, may I, on behalf of The Empire Club of Canada, remit an envelope with a cheque to the Headmaster, the Reverend Al Haig.

But our guest of honour is also with us today celebrating the seventieth anniversary of the incorporation of Brascan in 1912. At that time, the company acquired by share exchange substantially all of the shares of a number of Canadian power corporations operating in Brazil. Recently, the company divested itself of Brazilian assets to become one of the most dynamic and versatile conglomerates of Canada. Brascan has substantial, direct or indirect, interests in about twenty-six companies. A few of the more prominent ones are: Brascade, Noranda, London Life, Labatt's, MacMillan Bloedel, and last, but not least, the Blue Jays baseball team. Brascan itself is largely owned by Edper – Edward and Peter Bronfman – but managed by our guest of honour, John Trevor Eyton, Q.C., B.A., LL.B., President and Chief Executive Officer of the company.

Mr. Eyton was born in Quebec City in 1934. He obtained both his B.A. and his LL.B. from the University of Toronto. He read law with Tory, Tory, DesLauriers, and Binnington from 1960 to 1962, became an associate in 1962, and was made a partner in 1967. He is a member of the Upper Canada Law Society and the Canadian Bar Association.

I would like to end on a very personal note by conveying to you, sir, kindest regards from one of your predecessors who addressed our club twenty-six years ago, Henry Borden, O.C., C.M.G., Q.C., LL.D., D.C.L. Upon realizing that regrettably, he would be unable to be with us today, he immediately said to me, "Trevor Eyton is a fine chap and you will hear a good speech." Ladies and gentlemen, please welcome Trevor Eyton, Q.C., President and Chief Executive Officer of Brascan.

MR. EYTON:

Mr. Chairman, ladies and gentlemen: A person born into this world brings with him as an inalienable birthright, a shadow – a simple, dark silhouette unique to him, that follows him wherever he goes. Canadians, however, have an extra shadow. This extra shadow leads them, follows them, and walks beside them whether the sun shines or not, and unlike the first shadow, it isn't weightless, but, in fact, very heavy. This second shadow can and does do incredible damage to all things Canadian – the economy, business, even our individual characters. I refer, of course, to Canadian governments and hence, the plaintive wail of my title today, "Dear Mr. Government, Love Me, But Leave Me — Alone!" Today, I would like to explore a few examples of government intervention in our lives where, in my view, this intervention is either excessive or simply wrong.

From the very beginning, Canadians have relied on governments to help them and provide for them. This may have been because law and order was the basic requirement of the earliest Canadian homesteaders, or because, faced with a difficult and cruel climate, Canadians needed the imagined comfort and succour of more pervasive governments. So it was that our federal government inspired and financed construction of the CPR, our first national railroad. So it was that Canadians developed a belief in a "mixed economy" with the private sector and the public sector both actively engaged in the economy, sometimes as partners, sometimes as competitors.

I submit it is time Canadians questioned this belief in the mixed economy which continues, even though there is not, to my knowledge, any reputable analysis of its cost-effectiveness. Canadians have for a long time simply assumed government intervention in the economy was a "good thing." I suggest we are not rich enough to support and sustain massive and ever-growing government intervention.

Government participation in the Canadian economy is truly massive. Did you know, for example, that in the past year

Ottawa's 176 Crown corporations required together federal subsidies totalling more than $3 billion? Of those 176, only three – Air Canada, Teleglobe, and CN – were in a position to pay out dividends aggregating a paltry $60 million or much less than 1 per cent of the invested capital. Did you know that tiny Saskatchewan, with a population of less than one million, has twenty-two separate Crown corporations, or one Crown corporation for about every four thousand people? Fortunately for Saskatchewan, its new premier is now carefully examining the need for this multitude of Crown corporations. My reference to Crown corporations is really only a footnote, but it is important because their operations do not appear in any government budget, although they represent massive intrusion in our economic lives.

Do you know the percentage of Canadian GNP eaten up by federal and provincial governments? It is enormous and steadily increasing. Furthermore, in addition to current tax revenue demands, federal and provincial governments are at the same time materially increasing their collective deficits. Governments have these increasing deficits because they serve to conceal the real level of current spending. The reality is that we cannot afford current levels of spending by Canadian governments both because they are too large in absolute terms and because the money is badly spent.

Let's take a look first at government costs and their impact on the individual. As we know, taxes take many forms – income tax, property tax, import duties, fuel tax, liquor tax, etc., etc. In 1961, for every dollar you earned, twenty-eight cents went to taxes. By 1978, forty-three cents of every dollar earned went to taxes.

One element, the consumer taxes paid by the average Canadian family, increased 515.3 per cent from 1961 to 1980. The expenditures of a family for the necessities of life – food, shelter, and clothing – increased from 1969 to 1980, but that increase pales by comparison to the accompanying increase in taxes. Taxes rose more sharply than any other area of expenditure, so that the average Canadian family, which had spent one-third of its cash income on taxes in 1961, was spending almost one-half of its cash income on taxes in 1980. It is interesting to note that income tax represented less than a third of this total; sales tax and property tax represented another 10 per cent, and the balance was made up of taxes about which the average taxpayer had only a hazy idea. Here in Ontario, more than 60 per cent of your gas bill is taxes – provincial and federal. On a $10 bottle of liquor, almost $8 is tax in one form or another.

I should point out that in 1975, when personal income taxes were "reduced," they were accompanied by deficits which have steadily grown. You and I will one day be faced with taxes to service these deficits, which at the federal level alone will approximate $25 billion this year. These hidden taxes are insidious. They travel incognito and increase our daily expenses without our knowledge or concurrence. Don't be fooled into thinking that governments draw their income primarily from income and sales taxes. Your second shadow has many covert ways of slipping its hand into your pocket and helping itself.

The myth is that Canadians contribute a reasonable portion of their income to governments. The reality is that Canadians are staggering under an increasingly heavy tax burden with more to come. The current impost already amounts to 43 per cent for the average family. The myth is that Canadian governments can afford to provide and maintain extensive services and social programs. The reality is that they are doing so only by allowing debts to balloon and deferring current costs into the future. I think it is clear that Canadian tax levels are, and will continue to be, inordinately high, failing some politically courageous decisions. Having looked at the cost side, I would like now to consider the effectiveness of governments on our economy, through two current examples in the news.

The National Energy Program is a classic example of a federal initiative based on incorrect assumptions and designed and implemented without industry advice, all to the detriment of the industry in particular and Canadians in general. Do you remember a few years ago when Canada had a flourishing oil and gas industry? That was before our second shadow slid in to make Canada's energy future secure.

Let's take a look at the reality of the NEP. The federal government assumed *it* could regulate the industry sufficiently well to guarantee:

- security of supply;
- opportunity for Canadians to participate in the energy sector and share the benefits of industry expansion; and
- petroleum-pricing and revenue-sharing fair to all Canadians.

The program strategy to achieve these goals covered prices, taxes, incentives, and Canadianization.

The following facts are the cold, hard results of the NEP:

- 1981 had been forecast as a record year for the oil and gas industry. Instead, the impact of the NEP coupled with the results of the energy-pricing agreement between Ottawa and Alberta resulted in a dramatic decline in industry activity.
- drilling activity plummetted from record highs to record lows. Of the estimated ten thousand wells to be drilled in 1981, only sixty-nine hundred were actually drilled.
- Canada's drilling-rig fleet is one-third the size it was when the program was introduced, with more than two hundred drilling rigs moved to areas outside of Canada. Of those remaining, over 65 per cent are out of work.
- geophysical activity is down 45 per cent.
- industry exploratory budgets are down 40 per cent.
- the decline in exploration activity had a significant impact on Canadian oil reserves. Remaining reserves at the end of 1981 were down to pre-1962 levels.

- cash available for reinvestment was reduced 20–25 per cent; current taxes from the industry rose 75 per cent; and interest payments on debt were up 100 per cent. The return on investments of oil and gas prospects, even with the anticipated grants, is as low as 10–12 per cent.
- Alsands, Cold Lake, and expansion plans for the Suncor and Syncrude plants were cancelled. Many other projects were suspended or postponed.
- twenty thousand jobs have been lost, primarily in the drilling and service sectors of the industry. Hiring freezes were adopted by many companies and layoffs were common.
- over $8 billion was spent on takeovers and acquisitions, much of it going out of the country.
- the Canadian Petroleum Association estimates that $3.5 billion in investment went by the wayside in 1981 due to the NEP, adding that, as each dollar spent in the petroleum industry generates an additional $1.70 in economic activity, the Canadian economic output was, in fact, reduced by $9.5 billion.
- since the inception of the NEP, there have been eleven price increases as measured at the pump, *60 per cent of which are various taxes levied by the federal government*. And this does not take into account additional taxes levied by the various provincial governments. One such federal tax was, of course, the Canadian ownership charge amounting to more than $1.46 billion, which enabled Petro-Canada to purchase Petrofina and other *existing* oil and gas assets. In addition, there have been increases in the petroleum compensation charge to pay for foreign imports of crude oil. For Canadian consumers, the end result has been an increase of 7.8¢ per litre (36¢ per gallon) at the gas pump. In fact, when you spend $15 at a Toronto gas pump, you pay $5 for gasoline and $10 in taxes.

Canada's crude oil imports account for 20 per cent of the country's total requirements. Due to the downturn in exploration, imports are now estimated to rise 33 per cent by 1985 and to perhaps 40 per cent by 1990, assuming a reasonably healthy economy. Pre-NEP, Canada expected to import $90 billion worth of foreign oil during the 1980s. The estimated import bill as a result of the NEP could now reach as much as $270 billion, assuming modest world price increases. These petro-dollars could be much better spent within the country creating jobs and opportunities.

And still on the subject of myth and reality, PetroCan – "It's ours!" they say. I didn't want it. I like to make my own investment decisions. Whatever money our second shadow invests in PetroCan very quickly becomes invisible and unaccountable and that money amounts to billions. You can't trace where *your* money has gone. You can't challenge the management at an annual meeting. You won't see a proper annual report. Nonetheless, we have PetroCan. The principle has been established. Be on the lookout for Auto-Can, Garment-Can, Food-Can, and Steel-Can, to name a few. We happen to own a brewery, and, fearing government competition, we keep our eyes peeled for the advent of Beer-Can. You may think this all sounds far-fetched. I refer you to our born-again Minister of Finance assuring us repeatedly that the NEP is a great success, all the while avoiding the facts. In fact, Mr. Lalonde is so convinced the NEP is right that he has suggested the same approach should be applied to the fishing and farming industries. Heaven help the fishermen and the farmers!

Now, let's look at another example of myth and reality at the provincial level. We, all of us, own various possessions and need a place to put them – and ourselves. Although choosing our living place is still up to the individual, its cost is yet another area where our second shadow intervenes. I'm speaking of rent controls.

It's been said that those who don't know history are doomed to repeat it. Rent controls didn't work in Roman times. Rent controls have made parts of New York look like bomb sites. A

Trevor Eyton,
President, Brascan
Limited

little history of the rental housing market in Toronto will also illustrate the ineptitude of governments in making assumptions, formulating plans, and taking ill-advised initiatives in economic areas better left alone. In the sixties and seventies, Toronto had a booming and free – as in unrestrained – rental market. Construction of new units was being undertaken with great vigour and as a result, the availability of units was very high. But why were there no calls for rent controls until 1974? In every year from 1960 to 1973, the cost of renting accommodations relative to purchasing them declined. Only in 1974 did this pattern briefly reverse itself, with rents rising faster than the cost of home ownership. By 1974, relative to their relationship to home ownership in 1963, Toronto rents had fallen by 30 per cent.

In fact, landlords were in competition with one another to secure tenants. A free month's rent, a free TV, and free carpeting throughout were a few of the carrots dangled before the choosey renters. It was, in short, a market where the renter had the advantage.

In the mid-seventies, with the federal introduction of the anti-inflation measures, the Ontario government introduced rent controls as a contribution in the battle against inflation. It was originally a six-month measure. The assumptions were first, that rapidly escalating rents were contributing to inflation and second, that rent controls would be to the advantage of renters. What the government failed to recognize is that housing is an industry where you must protect free enterprise and the multitude of small, but highly efficient, developers – in the long-term interest of renters.

Once controls were imposed, new construction stopped and the rental stock became static. New units built were sold as condominiums because it was the only way construction costs could be recovered. Other buildings were converted into condominiums because rent controls were not covering increasing costs. The only answer to realizing the units' true market value was through the *sale* of each unit, rather than through its rental.

In the early stages of rent control, it is the landlord who subsidizes his tenants as his profit margin shrinks. As time passes, governments subsidize tenants by providing freebies, initially indirectly by incentives and later, directly by building units themselves, for example, Crombie Park. In Toronto, subsidized rental housing starts rose from 13 per cent of the total in 1974 to a staggering 91 per cent of the total three years later, when rent controls had been in place two years. Another result was co-operative apartment housing, of which twenty-seven thousand units were built last year alone. This bit of magic provides low rents by having governments borrow money at high rates (last year's bonds were 19 per cent) and then loaning it back to construct co-op units at about 2 per cent interest. The true cost of constructing the units remains the same, but the rental cost is held down because the taxpayer subsidizes the mortgage.

During the past ten years, rent controls have proved to be harmful. In the words of Robert Campeau, a man of many years' experience in the real estate development industry,

> What may have appeared to some politicians and others in the short term as an attractive social measure to help the average wage earner to afford reasonable rental accommodation has proven over the long term to be a disastrous piece of legislation. . . . It was approved over the strong objections of the real estate development industry, backed by the massive evidence of run-down tenements in New York City after years of rent controls. In the process, it has spawned a new bureaucracy at considerable expense to the taxpayer and a major, expensive, time-consuming hassle for the owner of rental housing. And it has been a heyday for lawyers and accountants.

Rent control is an emotional subject. Tenants march, make loud protests, and frighten politicians when they feel rents are climbing too high. Politicians, quite naturally being motivated by votes and the spectre of yet another election, ignore economic logic, pull rent controls out of their electoral bag of tricks, and wrap up buildings in government-controlled ribbons. This is done even though rent control ribbons strangle the very people they are designed to protect. The recent Cadillac/ Greymac/Kilderkin saga is a current, rather tortured example of what can happen when governments impose a regime of rent controls.

Undoubtedly, the transactions look contrived and complicated, but who of the following can be criticized?

- the owner who thinks he should be free to dispose of his property when he wants at a price agreed upon between himself and the purchaser;
- the tenant with no financial commitment to the building and a short-term interest who, none the less, demands owner's rights and a continuing subsidy from the public; or
- the government which operates in what it considers the tenants' best interests by ignoring basic property rights and contributing to the fallacy that the tenants may determine who buys their building and at what price.

The reality is that rent controls are widely recognized as a disastrous failure wherever they have been tried. However, at this stage, weaning a market from rent controls is like taking an addict off drugs. It is essential for health, painful to do, and should be done gradually. The alternative is for us to go the collective way and thrust responsibility for *all* housing on the shoulders of governments. I'm sure not many in this room would favour that.

It is obvious from the examples I have given that we need to take a cold, hard look at the massive interventions of governments in our lives. I suggest to you these interventions are not, for the most part, cost-effective and indeed, are a luxury we cannot now afford. Furthermore, while in my view our governments have done things they ought not to have done, they have not performed well in their traditional roles, that is, the administration of justice and the maintenance of internal and external security.

For example, it appears that Canada's national defence hasn't been as poorly tended since before the War of 1812! While governments are gobbling up private companies, hard-selling their policies such as they are, and promoting their virtues, expenditures on national defence have been dwindling away to almost nothing. The establishment of a strong, efficient, well-trained military is something government can and should do. It is not a job for the private sector.

As well, there is increasing mistrust of governments when they are not candid about their own affairs. The total all-in cost for BP was initially announced at the end of October as $347.6 million. We are now told a month later that the cost will be $674 million. That is an increase or miscalculation of 94 per cent! If I were to make that kind of disclosure, you'd find me in a government-subsidized jail cell.

A recent Gallup poll asked the question: "Speaking of the future, which do you see posing the greatest threat to Canada – big business, big labour, or big government?" The answers which came from Canadians in all walks of life showed that 46 per cent saw big government as the greatest threat, 29 per cent big labour, 13 per cent big business, and the more or less constant 12 per cent didn't know. I feel the distrust by Canadians of big government is entirely justified. I want to go further and state my belief that our federal government and their brothers in the provinces, even in a more enlightened state, cannot provide the answers to our present difficulties.

Let's look briefly at the other side of our "mixed economy." What is the proper role of the private sector? Make no mistake, it is the private sector that generates wealth, creates jobs, and develops this country. The private sector means business – big and small – and it also means you – as a home-owner, as an investor, and as a consumer with some choice. As an individual, only you can make the best decisions about how, when, and where to spend your own money. The disciplines of the market place are tough, but the market place is the one mechanism that will provide the best goods and services at the best price. Don't surrender your choice in the market place to bureaucrats who are all too eager to choose for you, to charge you twice the price, and to hide the real price in an endless variety of ways, all the time assuring you it is in your best interest.

The private sector must continually be improving its productivity. It must be lean, efficient, competitive, and tough. It must trim costs and run a tight ship. It must set the standard for efficient management that becomes the norm – the only acceptable way of operating – and it must demand the same of governments. Sure, current times are tough, but I believe Canadians in all walks of life have learned some valuable lessons – about the inevitability of the market place, about the need for productivity, and about the severe limits on what our governments can and should do.

What can governments do? They can and must spend less so that more is available to the private sector. For example, they must stop job creation programs which, as currently conceived, are short-run, unproductive, and demeaning. Paying men to rake leaves and make parks is not a genuine solution to unemployment or any material assist to our future. Governments must allow the private sector to spend more, recognizing that it spends "better," because if it does not, it will be penalized by the market place. In so doing, governments should especially encourage greater investment in capital plant and in research and development.

And to governments generally, I commend the true story told to me by a friend. It appears my friend was driving by a farm one day, when he noticed a beautiful pig in a pen in front of an attractive farmhouse. He was especially intrigued because the pig had a wooden leg, and curious, he decided to stop at the farmhouse to learn more about this splendid pig. The farmer, clearly pleased at my friend's interest, proceeded to tell him that the pig was extraordinary because one year before, he had broken out of his pen in the middle of the night to rush into their burning farmhouse, arousing his entire family and leading them to safety. In addition, the farmer told my friend that his pig had broken out of his pen just a few months earlier to save his five-year-old son from drowning in the pond and more recently, the previous week he had broken out of his pen to prevent thieves from ransacking their home while the family was away. Of course, my friend was astounded at these heroics, but noted that none of these explained the wooden leg.

The farmer hesitated for a few minutes and observed, "A good pig like that you can't eat all at once."

To make it absolutely clear, that generous, helpful, loving pig is the private sector, and I hope Canadian governments will recognize it as such and preserve it, having eaten only one leg. Personally, I don't want anyone at my door saying, "I'm from the government and I'm here to help you."

In truth, dear Mr. Government, *if* you love me, you'll leave me alone!

The appreciation of the audience was expressed by Michael Meighen, a Director of The Empire Club of Canada.

DECEMBER 9, 1982

Foreign Banks in Canada

AN ADDRESS BY Robert M. MacIntosh, PH.D.
PRESIDENT,
THE CANADIAN BANKERS' ASSOCIATION

CHAIRMAN The President,
Henry J. Stalder

MR. STALDER:

Distinguished members and guests, ladies and gentlemen: Our guest of honour mentioned to me last week that he had just finished writing the fifth version of his speech and that most likely, we would hear version number six today. It is my belief that it is not so much the complex and diverse problems of foreign banks in Canada which led to this amount of rewriting but Dr. MacIntosh's responsibility, his caring, his diligence, and his sense for political bearings and basic justice.

In 1980, Dr. Robert M. MacIntosh was elected the first full-time President of the Canadian Bankers' Association since its inception by law in 1900, thus marking the fact that banking matters have become more complex, the world smaller, and Toronto a financial centre.

Dr. MacIntosh's formal education includes Stanstead College, a B.A. in Economics and Political Science from McGill University in 1947, followed by an M.A. in 1949 and a PH.D. in 1952, post-graduate work from 1949–50 at Trinity College, Cambridge, and finally, a Doctor of Laws degree from York University in 1976.

Dr. MacIntosh also served with distinction in the Royal Canadian Artillery, where he was promoted to the rank of Lieutenant.

Dr. MacIntosh's career included a stint as Assistant Professor of Economics at Bishop's University in Lennoxville, Quebec, before he joined the Bank of Nova Scotia in 1953. After a most distinguished banking career with the Bank of Nova Scotia, which he terminated in 1980 as Executive Vice-President, he was elected President of the Canadian Bankers' Association.

He holds a number of board and committee memberships and through his directorship in Dominion and Anglo Investment Corp., Ltd., he is acquainted with our Past President, Hal Jackman, and through his Queens Club membership, with our most senior Past President, Sydney Hermant.

Dr. MacIntosh is a man who has a personal opinion on matters concerning him or his office. He is a man of courage, standing up for what he thinks is right or wrong. He is a man of action who gets things done. Ladies and gentlemen, for the second time since 1971–72, please welcome our guest of honour, one of the most prominent bankers in Canada, Dr. Robert MacIntosh.

DR. MACINTOSH:

Mr. Chairman, ladies and gentlemen: It is almost exactly two years since the passage of the revised Bank Act. One of the most important and interesting changes in the amended Act was the provision for the licensing of foreign banks in Canada.

It now seems timely to review the progress which has been made, and the present status of the foreign banks in this country. There is a great deal of public interest in the subject, and it would seem appropriate that, as spokesman for the banking industry as a whole, I might deal with this question today. To be quite honest, your club president might have had something to do with the selection of the subject and the speaker, so he can blame only himself for whatever disasters may befall him and you today.

Before reviewing the present situation, perhaps a little historical perspective would be helpful. Until 1967, there was no legislation whatsoever regarding foreign banks in Canada. This may seem very strange, considering the fact that banking legislation in this country goes back a hundred and fifty years. It may seem even more strange that with one notable exception (Barclays), the large British and American and French banks had never sought to enter Canada up to as recently as 1965.

Why had banking not followed the pattern of multinational investment in Canada so evident in most industries? One can only speculate on this subject, but I would suggest that there are two principal reasons. The first reason is that the banking needs of the country were basically well served by the Canadian banks, which were in some cases quite large in size even from the earliest days, compared to banks in London and New York and Paris.

The second reason is perhaps the more general one that banking had not become extensively internationalized except within the last two decades. Before the days of jet planes and telephones, communication was by post and by sea travel. But banking depends on very fast response times, and very thorough dialogue between customers and borrowers, and between head office and the field. Banking is an industry whose scope is constrained by communications technology, since it is essentially an information-processing industry. There were, of course, some exceptions to this, at least in the money centres of London and New York. And the Canadian banks themselves provided a notable exception, to the extent that they supplied the retail banking services of the British Caribbean as far back as they supplied retail services in Toronto. The banking systems of the colonial powers followed the flag into Africa and Asia, but the generalized, multinational spread of banking is a quite recent phenomenon.

On the other hand, there was not any legal prohibition against foreign ownership of a Canadian bank. In fact, Dutch interests created and developed The Mercantile Bank of Canada, which was chartered first in 1950. What set the cat among the pigeons was the acquisition of the Mercantile Bank from the Dutch by Citibank in 1965, smack in the middle of consideration of the Bank Act revision at that time. The Mercantile acquisition focussed everyone's attention on this issue for the first time, with the emerging nationalistic tendencies of the then government leading to emergency measures to attempt to stop the acquisition.

The outcome of the somewhat *ad hoc* confrontation at that time was a provision in the Bank Act of 1967 that no single shareholder could vote more than 10 per cent of the voting shares of a Canadian bank, and that the aggregate holdings of non-residents of a Canadian bank could not exceed 25 per cent (except for grandfathering provisions). A compromise deal was made between the Government of Canada and Citibank, whereby the acquisition of Mercantile was allowed to go ahead, but with a provision for gradual reduction in non-resident ownership over ten years. In effect, the 1967 revision of the Bank Act ended up with a total prohibition on foreign banking in Canada, except for the Mercantile.

In the thirteen years following the 1967 revision, up to the revision of 1980, the failure of legislation to keep up with the real world became more and more apparent. Although the Parliament of Canada had effectively eliminated foreign ownership of banks, it had neglected to define what banking is. This has been an ongoing problem for the banking industry for decades, but never more so than at present. By failing to define banking, the federal government has in effect allowed all sorts of institutions to perform banking functions as long as they are not called banks. This includes trust and loan companies, credit unions, caisses populaires, and even the provincially owned Treasury Branches of Alberta. One of the great ironies of the new Canadian Constitution, over which the federal government sought strenuously to assert its central powers, has been the total failure of the federal government to assert itself in the field of banking, over which its exclusive constitutional power was undoubted.

Thus it came about after 1967 that many foreign banks decided to set up provincially incorporated companies in Canada, which were not called banks. By the time the Bank Act was finally revised in 1980, there were about sixty foreign banks represented in Canada, some with several offices. In some cases, these provincially incorporated companies were larger than some of the newer and smaller Canadian, domestically owned banks.

One of the principal objectives of the Government of Canada in the Bank Act revision of 1980 was to sweep these foreign-owned financial companies into the orbit of the federal Bank Act. There were several reasons for wanting to do this. One obvious reason was the fact that Ottawa wanted to establish its authority for the purpose of inspection and control, parallel to its regulatory powers over the domestic banks. Secondly, the foreign bank financial companies in some ways had an advantage over the domestic banks, in that they did not have to keep cash reserves or meet the many other rigorous requirements of the Bank Act. And thirdly, the federal government wished to establish some rationale for negotiating reciprocity with other countries, having in mind the very extensive foreign operations of the Canadian banks.

The federal government's leverage to bring the foreign bank companies under federal control was not considered to be very great, and it rested primarily on denying them the power to employ the guarantee of their parents for their wholesale deposit instruments issued in Canada. In my opinion, the fact that the foreign parents in every case elected to come under the federal regime was to a considerable extent the perception of these world-class banks that it was the proper thing to do, even if it might be contested legally. It also meant that the subsidiary could use the word "bank" in its title, although I am not sure that this would have been in itself a decisive concern to some of the foreign parents, whose names are very well known without the word "bank" being used.

Be that as it may, in the late seventies, some of the foreign bank companies expanded very rapidly in Canada, in anticipation of the revised Bank Act. As it turned out, passage of the Act was delayed three years, for a variety of political reasons. During that period, there was a rapid build-up in their business, since the general intentions of the government in the draft legislation were well known. The key element was the proposal to limit the aggregate size of the whole foreign bank community to 8 per cent of Canadian domestic assets. Within the 8 per cent aggregate limit, the Bill provided for limiting the size of individual foreign bank subsidiaries to twenty times their authorized capital.

Since the Minister of Finance can set the authorized capital of individual foreign bank subsidiaries, he can in effect put a ceiling on the size of each one of them. The scramble to establish size in order to be "grandfathered" within this framework explains in part the 42 per cent compound growth rate in aggregate foreign bank affiliate assets between 1976 and 1980.

Another feature of the revised Bank Act was that banks could be licensed by the Minister of Finance on the recommendation of the Inspector General of Banks, without their having to go through the long and difficult process of an individual parliamentary charter. After final passage of the Act in 1980, the applications flooded in, and the government began issuing licences in July 1981. The licensing process is still going on, but the pool of available authorized capital has been nearly used up. Perhaps a brief explanation of the arithmetic will clarify the parameters of the foreign bank subsidiary licences.

At the present time, the aggregate domestic assets of the Canadian banks, including the foreign bank subsidiaries, amount to about $240 billion. Therefore, if they are to stay within the prescribed 8 per cent aggregate ceiling set by the Bank Act, the foreign subsidiaries can book domestic assets of no more than $19.3 billion.

Since the domestic assets of a foreign bank subsidiary cannot exceed twenty times its capital, then the aggregate ceiling on the total authorized capital of the foreign banks is somewhere around $1 billion, depending on whether all banks fully utilize their capital. Most foreign bank subsidiaries would like to maximize their share of this pool of authorized capital. At the moment, the government has granted "letters patent" to fifty-seven foreign bank subsidiaries, so by dividing this number of banks into the total pool of $994 million allocated so far, one gets an average authorized capital of $17 million. This means that the average bank can reach a maximum domestic asset size of twenty times seventeen, or about $340 million. However, some of the foreign bank subsidiaries are much larger than this, and some much smaller. The top ten represent 58 per cent of total Schedule "B" foreign bank assets and 52 per cent of the total authorized capital. The largest foreign bank has authorized capital of $130 million and assets of $1.8 billion, while some of the smallest foreign banks have authorized capital of only $5 million.

While the aggregate domestic asset limit for foreign bank subsidiaries rests at approximately $19.3 billion, the foreign bank subsidiaries at the moment have about $13.9 billion in domestic assets. In other words, they still have room to add on about $5.4 billion in domestic assets. Another way to state this is that the foreign banks have so far used about 5½ per cent of the 8 per cent limit authorized by the Act, and their rate of growth has slowed down considerably. This is partly due to the state of the economy, partly to the fact that some of the foreign bank subsidiaries are up to their authorized capital limits, and partly to the severe competition in the marketplace. Another reason is that some of the foreign bank subsidiaries grew very rapidly before passage of the Act, for reasons already stated, and have been trying to turn marginally profitable business into more profitable business.

Moreover, the foreign bank subsidiaries now have to face the burden of cash reserve requirements identical to those of the Canadian banks, a cost burden which narrows the spread between borrowing and lending rates by about ½ per cent to ¾ per cent. In the two years since the passage of the Act, the foreign bank subsidiaries' aggregate assets have grown at about 31 per cent per annum. In absolute terms, the growth has been from $9.7 billion to $16.7 billion, including about $3 billion of non-domestic assets.

The foreign bank subsidiaries come from seventeen different countries. Not surprisingly, one-third of these are from the United States. There are six banks from the United Kingdom, six from Japan, five from France, three from Switzerland, three from Israel, two each from Germany and Italy, and a dozen others. There are banks from India and the Far East, but none from Africa or South America.

The head offices of the foreign bank subsidiaries are somewhat concentrated in this downtown neighbourhood of Toronto. Currently, there are five in Vancouver, one in Calgary, six in Montreal, and the remaining forty-three in Toronto. This is a great tribute to the climate of Toronto. One bank had intended to establish itself in Winnipeg, but after visiting there last winter, this particular bank decided to abandon its Canadian venture altogether. As we must all regretfully acknowledge, reciprocity does not extend to an equal exchange of climates.

It is sometimes assumed that the foreign bank subsidiaries do not have any branches. In fact, however, they have established seventy-eight branches, as well as the fifty-five head offices. Of these, seventeen are in Vancouver, twenty-five in Alberta, eleven in Montreal, with others in Saskatoon, Winnipeg, Halifax, St. John's, Windsor, Quebec City, and Sherbrooke. More than a dozen of the foreign bank subsidiaries are offering retail services, some with ground-floor walk-in premises.

By and large, however, foreign bank subsidiaries have not been afflicted with the economic and political problems faced by the large Schedule "A" banks on residential mortgages, loans to farmers, loans to small businessmen, and retail banking services to the average depositor and consumer. After nearly three years in the public relations trenches during a period of great economic distress for many Canadians, I would estimate that most of our concerns in the Association apply to seven or eight of the domestic banks and do not, at present, touch the other sixty-odd members of our Association.

This brings us to some observations on the nature of the business being conducted by the foreign bank subsidiaries in Canada. In a community with as many as five dozen members, any generalization is bound to have some exceptions, so that any observations I make about the structure of the foreign banks are not necessarily valid for everyone.

In general, the foreign bank subsidiaries are wholesale commercial banks. They attract deposits in one of two ways: either by raising wholesale deposits directly or through investment dealers; or by borrowing funds, principally in the New York or Euro money markets, and swapping them into Canadian dollars through the exchange market on a hedged basis. These wholesale deposit funds are then either employed in wholesale commercial lending, where the typical size of loan would be between $1 million and $5 million, or invested in short-term securities or interbank deposits.

The definition which we use for a small business loan in Canada is at the cutoff level of a $200,000 line of credit. Some foreign bank subsidiaries operate in this small business loan market, and some do not touch it at all. Studies which have been done would suggest that in aggregate, perhaps half of the assets of the foreign bank subsidiaries would be in loans of $5 million and over and the other half would be primarily between $500,000 and $5 million. This target area of medium-sized commercial loans – sometimes called the "mid-market" – is clearly the field in the Canadian financial system in which the foreign bank subsidiaries have had the greatest impact.

With so many new players entering a field in which the domestic banks were already strong, competition has been

Dr. Robert MacIntosh,
President, The Canadian
Bankers' Association

very severe. In part, this took and still takes the form of closely calculated lending rates, although there was not as much room for this as might be supposed, given the increased cost of the foreign bank subsidiaries arising from becoming chartered banks. In part, competition has taken the form of increased personalized services to borrowers in this size range. One symptom of the competitive pressure is the fairly sizable drain of middle management officers with commercial and corporate banking experience from the large banks.

Some of the foreign bank subsidiaries have put a relatively great emphasis on interbank deposits. In a world context, the interbank market is huge, and it is usually thought of in terms of the American dollar or Euro-dollar markets in London, New York, and elsewhere. The interbank markets in Canada would appear to be a Canadian offshoot of the world market, deposits being funded mainly in American dollars, and re-lent from one

Schedule "B" bank to another in the Canadian dollar market. At September 30 of this year, the foreign bank subsidiaries together had interbank deposits of $3.4 billion, or a fairly significant 20 per cent of the total foreign bank assets at that time.

The acquisition of loan business is, to an increasing extent, being generated through loan syndications. It would seem redundant to elaborate on the banking problems which have arisen with the concentration of risks, and this alone could account for the increase in loan syndications. Until quite recent years, it was relatively uncommon for a Canadian borrower to divide his account among a number of banks, although the very largest firms sometimes have had two or three bankers. Now, however, there appears to be a growing trend toward loan syndications, and the presence of the Schedule "B" foreign bank subsidiaries is undoubtedly an important factor in this process.

A profile of the foreign bank subsidiaries would not be complete without some observation about their profitability. Since the first tranche of banks was licensed to operate only sixteen months ago, it is obviously too early to make any sweeping generalizations. We have consolidated the income statements of the thirty banks which reported their earnings for the third quarter of 1982.

Their net income after tax for the third quarter was about $6.5 million on assets of $11.2 billion. This works out to an annual rate of return of 0.23 per cent on assets, which is about half the rate of return of the Schedule "A" banks in that same period, a rate which was itself well below the average rate for the last ten years of 0.58 per cent.

The rate of return on equity of the thirty Schedule "B" banks reporting for the third quarter was 3.97 per cent. Obviously, these rates of return are not satisfactory from a longer-term point of view, but undoubtedly, reflect the high cost of starting up a licensed bank.

It is perhaps worth noting that our Association office has had to make the leap from quill pen to computer in a short space of time. We used to consolidate some statistics for eleven banks, but this number has now gone suddenly to sixty-eight.

It is our intention at the CBA to provide the financial community and the media with consolidated data for the Schedule "B" banks. In the past, this statistical consolidation function has not been as important, partly because the large banks have the resources to produce their own data, and partly because the highly expert financial analysts in the street are able to produce very comprehensive studies. Since the Schedule "B" banks are not listed on the exchanges, their share values are of no great interest to investors. Nevertheless, the comparative financial performance of the Schedule "B" banks is certainly of interest to all of the banks themselves, as well as to economic observers and the general public. In any event, our output of reports has been one of the few bright spots for the pulp and paper industry in Canada this year.

I believe that the foreign bank subsidiaries have made, and will continue to make, a very positive contribution to the Canadian financial community and to the Canadian economy. In this final section, I would like to comment on some of these positive contributions.

The foreign banks are here to make a profit for their parents, but even if the competitive environment makes it difficult to produce a very good rate of return, most of the parents would probably still feel that a Canadian foothold is a worthwhile part of their worldwide business.

First among the positive factors is the question of people. The foreign bank subsidiaries have created jobs for about three thousand men and women, of whom more than 95 per cent are Canadians. In general, the top officers of the foreign bank subsidiaries are career officers of their parent banks, and are likely to move on to higher positions elsewhere in due course. In a few cases, immigrant officers have elected to stay on as

Canadian citizens. This top group has recruited a middle and upper middle management group from the large banks and I would estimate perhaps three hundred to five hundred men and women have moved from the Schedule "A" column to the Schedule "B" column.

There has been acute competition for people in the specialized fields of money market and foreign exchange trading. This has certainly increased the strength and breadth of skills in this field.

An indirect effect on the employment market, which is perhaps not generally recognized, is the significant requirement of the foreign bank subsidiaries for legal, accounting, and computer skills. These resources are an essential part of the infrastructure for a financial community which aspires to achieve an international status. The number of people with some knowledge of the Bank Act has suddenly exploded from a tiny beleaguered group of individuals to a fair spectrum of the legal profession. With a larger general audience, the accounting firms have produced some excellent studies of bank accounting, which is a rather specialized subject. And some of the foreign bank subsidiaries have developed very good computer information systems for internal use and for reporting to head office.

A second obvious benefit is the capital inflow of almost $1 billion, which must be considered a welcome development, especially in a period when we have suffered a very large outflow of equity capital as a result of the National Energy Program and other factors.

One of the intended benefits of the legislation on foreign banks was to obtain reciprocity. In the past two years, the Inspector General of Banks has examined applicants from each country very carefully, in terms of reciprocal access to their markets for Canadian banks. While the Canadian banks were already represented in most other jurisdictions, a direct consequence of the Bank Act change was access to Japan and Switzerland. And it can be assumed that the licensing of foreign banks here has forestalled problems in other countries for Canadian banks.

There is, nevertheless, an ongoing controversy as to the meaning of reciprocity, and as to its extent. Many of the foreign bank subsidiaries, especially those from the United States, regard the 8 per cent ceiling and the limitation on an individual bank's capital as onerous restrictions. On the other hand, most foreign jurisdictions are not free of effective restrictions on Canadian banks.

I have already referred to the competition of the foreign banks in the middle market for commercial loans. In addition, there has been keen competition in the foreign exchange market, and a noticeable increase in the extent of banking calls on customers at their place of business. These are good developments, and I think they are recognized by the Schedule "A" banks as a healthy trend.

No review of the contribution of the foreign bank subsidiaries would be complete without a reference to their significant contribution to the cultural and educational life of this city. Foreign bankers have brought to Toronto a rich mixture of culture and language from Europe and Asia, as well as the very marked contribution to the community from those who share our language, from the United States and Britain. Many of the foreign bankers are multilingual, and I hope this will further embarrass us about our somewhat provincial attitudes in banking, and in the business community generally, to acquiring a second language.

In conclusion, I think it is fair to say that foreign bankers have raised the stature of our profession in the nonbanking aspects of life in our metropolis, and on that happy note, Mr. President, I think it is appropriate to end these remarks.

The appreciation of the audience was expressed by Mr. R. Bredin Stapells, a Past President of The Empire Club of Canada.

DECEMBER 16, 1982

Christmas Luncheon

GUEST OF HONOUR The Honourable John B. Aird,
O.C., Q.C., B.A., LL.D.
LIEUTENANT-GOVERNOR OF ONTARIO

CHAIRMAN The President,
Henry J. Stalder

MR. STALDER:

Distinguished guests, ladies and gentlemen: Rudyard Kipling once addressed university students in a commencement speech and cautioned them against being too preoccupied with wealth, status, and glory. "Some day," he said, "you will meet a man who cares for none of these things. Then you will know how poor you are!"

Christmas seasons come and go but ethics and equity should not change with the calendar. Nevertheless, custom and tradition, habit and the time of the year, allow us to think more about others, about mankind, and what we were supposed to practise throughout the year. It is too short a time during which one tries – in so many cases with material means – to catch up with lost opportunities. Let us not forget that those who bring sunshine into the lives of others cannot keep it from themselves.

Christmas is also a time of tradition and The Empire Club of Canada has a number of fine traditions. One of the happiest of these is the presence of the Lieutenant-Governor of Ontario at this annual Christmas party. Your Honour, on behalf of all who are gathered here today and those of our members who could not be present, it is my pleasure to extend to you, to Mrs. Aird, and to your family our very best wishes for a Merry Christmas and a Happy New Year. We pledge to you our deepest affection and loyalty, and through you to her gracious majesty, the Queen. Ladies and gentlemen, I am privileged to invite His Honour John Aird, Lieutenant-Governor of Ontario, to speak to us now.

His Honour, the Lieutenant-Governor, as the representative in Ontario of Her Majesty Queen Elizabeth, brought greetings and best wishes for a Merry Christmas to all members of the Empire Club.

MR. STALDER:

Thank you, Your Honour, for your message. I now call upon the Immediate Past President of the club, Brigadier General S. F. Andrunyk, to present a bouquet of flowers to Mrs. Aird. (Presentation of flowers.)

Ladies and gentlemen, it is now my pleasure to introduce the ladies and gentlemen who share our head table today. (Introduction of head table guests.)

The Empire Club of Canada is an institution and like all institutions it succeeds because many people participate willingly, cheerfully, and energetically in its day-to-day affairs. My personal appreciation goes to the past presidents who supported me so strongly with action and advice in the first half of my year. A particular expression of appreciation goes to the senior directors who are, in fact, the turning wheel in this time clock; they are the restlessly helping hands turning simple meetings into events.

Two other important persons in this regard are Mrs. Eleanor Cook, our Executive Secretary, and Mrs. Betty McAdam, our Office Secretary. I am pleased to have this opportunity to recognize their contribution.

I also want to thank my secretary, Miss Jan Webster, of the Union Bank of Switzerland, who keeps up with the Empire Club correspondence that I, as president, generate.

I would also like to express the club's appreciation to the Royal York Hotel staff, which meets our needs in a most professional manner. In the forefront of this group are Tony Hauth, the Catering Manager; Harry Bittner, Assistant Manager; and more prominently to our members, Adriano Ferreira, Manager of Banquet Services, who sees that our Thursday meetings are conducted without flaws.

Our thanks also go to Stanley St. John, our faithful pianist, whose music we have enjoyed for so many years, and to Robin Kobryn, the club's photographer.

Another person who deserves our gratitude is Colonel Leslie Parkinson, who has been the distinguished chairman of our Christmas luncheon committee.

Finally, each year the Christmas luncheon is the occasion on which we honour our Immediate Past President by presenting him with a commemorative scroll signed by our Honorary President, the Governor General of Canada.

During his presidency, Brigadier General Steve Andrunyk conducted the affairs of this club with great dignity, superb efficiency, and outstanding devotion. It is my pleasure to present him with this scroll with the thanks of more than two thousand admiring and grateful members of The Empire Club of Canada. (Presentation of scroll.)

Behind a general stands his army, behind a successful man you find a strong lady, and in your partnership, sir, there is no silent partner. For this reason, we wish to express our gratitude to Mrs. Andrunyk who, during your year of presidency, showed a great deal of understanding for your workload. May I now call on our First Vice-President, Mr. Douglas Derry, to present Muriel Andrunyk with a bouquet of roses as a token of our appreciation. (Presentation of bouquet.)

While we are recognizing people of merit, let me say happy birthday to Dr. Harold Cranfield, who is celebrating his seventy-fifth birthday today. In 1953 he joined the club, in 1956 he was called to the executive committee, and in 1970–71 he was president of our club.

Ladies and gentlemen, it is now time to enjoy our program of Christmas music. It is to be provided, in part, by the 78th

Fraser Highlanders who served in Canada for seven historic years – from 1757 to 1763, when they were disbanded. The Fraser Highlanders have been re-raised, with the permission of Colonel-in-Chief Brigadier the Right Honourable Lord Lovat, whose ancestor, Colonel Simon Fraser, founded the regiment. The pipes and drums of the new Fraser Highlanders won the pipe band competition at the Elora Highland Games of 1982.

Then we are to hear the Canadian Opera Company Ensemble. The Canadian Opera Company's origins can be traced directly from the first performances in 1946 by students of the newly formed Royal Conservatory Opera School in Toronto. Conductor Nicholas Goldschmidt and stage director Felix Brentano were engaged to help the school's founder, Dr. Arnold Walter, mount this venture; their success enabled Brentano's successor, Herman Geiger-Torel, to plan the creation of a professional opera company. In July 1976, the internationally renowned stage director Lotfi Mansouri succeeded Geiger-Torel as general director, marking the beginning of a new era in the development of the Canadian Opera Company, which today meets world standards. May I cordially welcome our artists for today: Janet Smith, soprano; Ben Heppner, tenor; Christopher Cameron, bass baritone; accompanied by pianist Leslie Uyede.

A program of music was then presented, first by the pipes and drums of the 78th Fraser Highlanders, and then by the Canadian Opera Company Ensemble.

The appreciation of the audience was expressed by Major General Bruce Legge, President of The Empire Club Foundation and a Past President of The Empire Club of Canada.

JANUARY 6, 1983

Weathering the Storm — Manitoba's Economy

AN ADDRESS BY The Honourable Victor Schroeder,
MINISTER OF FINANCE,
PROVINCE OF MANITOBA

CHAIRMAN The President,
Henry J. Stalder

MR. STALDER:

Distinguished members and guests, ladies and gentlemen: Winnipeg, where the new west begins, and where the jobless rate is about the same as that in Toronto but lower than that in Vancouver, is the hometown of our guest of honour.

Victor Schroeder was raised in Altona, Manitoba, and is a graduate of Mennonite Collegiate Institute of Gretna. He attended university at Winnipeg and obtained a law degree from the University of Manitoba Law School in 1973. Prior to that, he was a railway switchman and a professional firefighter, which reminds me of a fine toast – and here's to the firefighter who draws water instead of blood and thanks instead of tears. But, as I said, this was before he became a lawyer. Vic was a partner in the law firm Bellan, Schroeder, Baker, and Wasylin until 1981. In 1979, he was elected in the Rossmere constituency and is a Past President of the Manitoba NDP.

In such distressed times, we are very glad and comforted indeed to hear from a barrister and solicitor, a Manitoban, a Canadian, and Minister of Finance of his province. Ladies and gentlemen, please welcome the Honourable Vic Schroeder.

MR. SCHROEDER:

Mr. Chairman, ladies and gentlemen: I am pleased and honoured to address this distinguished group this afternoon. As the Minister of Finance for Manitoba, I hope I can give you an insight into how our government has set out to prepare our economy to take quick advantage of the national economic recovery when it comes. What, in essence, we are doing in Manitoba is carefully preparing our economy, as best we can, to weather the storm of the present recession. But at the same time, we have recognized that we must also take significant steps to help those individuals in our society who are suffering the most as a consequence of wrong-headed economic policies.

In Canada today, one out of every eight members of the work force is unemployed. The level of human tragedy represented by that figure cannot be measured. The loss of self-worth and the destruction of families – these are not phenomena that are easily measured. These are not quantifiable – there is no profit-and-loss measurement for individual well-being. And the impact of the current recession represents a permanent loss to our country's economy for 1982 of between \$35–\$40 billion – and if that were equally distributed, that would be \$1,500 for every man, woman, and child in our country. This is a challenging time for governments. Governments must be innovative and thoughtful in how they order their affairs.

When it comes to this particular recession, I have to admit that Manitoba has had one advantage over the rest of the country – we experienced significant stagnation for four years before most of the country had even thought of recession in a serious way. The previous government in Manitoba believed, I have no doubt sincerely, that the best policy route for a provincial government to take was "hands off and do nothing!" Regrettably for Manitoba, that meant that our economy was already in a weakened condition at the beginning of the national recession. Between 1978 and 1981, Manitoba consistently showed up at the bottom of national economic comparisons. Total investment was low, economic performance was weak, and the province experienced a serious population loss for the first time since 1870.

For our new government, which took office after the 1981 election, the result was a lot of human hardship and misery which had to be addressed and addressed quickly. As a government, we set about our business:

- the minimum wage was increased;
- job creation programs were put into effect;
- hospital construction was substantially increased;
- the small-business tax rate was reduced by 9.1 per cent;
- the province's capital spending was increased by 40 per cent;
- we introduced Canada's first comprehensive interest rate relief program for farmers, businesses, and home-owners; and
- we introduced a $50-million home program that guarantees qualified purchasers long-term mortgages at reasonable rates.

Our experience tells us that this type of housing program is relatively inexpensive. In effect, we are borrowing money at the more favourable interest rates available to government and passing on the benefits to qualified Manitobans, with subsidies in very few cases. The actual direct costs of the program are quite small. Moreover, in the process, we will have created a substantial number of jobs, improved our housing stock, upgraded downtown neighbourhoods, and provided many of our citizens with affordable homes. From an overall perspective, the actual direct costs of this housing program will be considerably more than offset by the incomes and, yes, taxes generated and from the perspective of my department, that is tremendous. Through tax and price freezes, we also provided for: tuition fees; transit fares; hydro rates; and provincial gasoline taxes. This amounted to savings to Manitobans of $50 million this year. In a phrase, our policy has been "jobs now and building the basis for an early recovery."

In our efforts, as we assess our first year in office, we would seem to have been somewhat successful. The inflation rate in Winnipeg, at 8.5 per cent, is significantly lower than the national average. Our unemployment rate, as a province as opposed to just the city of Winnipeg, while uncomfortably high, is the third lowest in the country. And our job loss is a third of the national average. Retail sales have increased more in Manitoba than anywhere else in the country. Our population registered a significant increase and while the Manitoba economy, like that of other provinces, recorded a decline in real output in 1982, our province is projected to have the lowest rate of decline in the country, tied with Saskatchewan. In our view, this relatively good performance reflects not only our diversified economy but also the impact of our recession-fighting measures. When economic recovery begins, Manitoba can and will pull its own weight.

Our recession-fighting measures have had an effect on both our deficit and on our level of taxation. First, in order to embark on our budgetary program, a deficit was necessary. Current estimates suggest a 1982–83 fiscal year deficit of $498 million. We feel that this is reasonable, given the need to provide stimulus in light of the recession and its effect in shrinking the resources at our disposal. Recession also increases government costs for cushioning those who have been hit by unemployment. As well, it is important to note that over half of the projected deficit will be used to finance capital expenditure and investment in the future productive potential of our economy.

In our budget last May, we also introduced a new taxation measure, one that I understand my colleagues in other provinces are looking at with some interest. We introduced a levy for health and post-secondary education to be paid by employers at a rate of 1.5 per cent of their payroll, one-half of the rate which is now in effect on a similar tax in the province of Quebec. This taxation measure was made necessary by the changes in the fiscal arrangements act implemented by the federal government, which resulted in an average annual loss in Manitoba of $144 million in each of the next five years – the largest per capita loss among the provinces.

Inevitably, when a new tax measure is introduced, there are cries of foul and predictions of doom and gloom. This has been a ritual in Canada for many years. In fact, it's been a very successful ritual. I believe government has done a deplorable job of informing investors of the effects of cumulative tax changes in the past decade.

In the 1955–59 period, corporate profits amounted to 11.2 per cent of gross national product in Canada. Over the last five years, corporate profits have increased slightly to 11.6 per cent of GNP. But corporate taxes have declined from 16.2 per cent of government revenues in the 1955–59 period down to 9.4 per cent of government revenues today and it was during those days when business paid almost twice as much proportionally of government revenues that we experienced our greatest period of growth. Increasingly, personal income taxes are being relied upon to finance government operations.

In the last ten years alone, twenty separate initiatives have been announced by the federal government to reduce corporate taxes in attempts to stimulate investment and economic activity. We are not arguing against them, we are just saying they are there and let us be aware of them, everything from decreases in income taxes to federal sales tax, MURBS, investment tax, and credit oil subsidies. Supporters of the notion of further tax cuts or those who feel tax levels are too high should review the record of the last ten years. As well, those same people should review Canada's record in the matter of wealth taxes, which we occasionally hear about. Of all the OECD countries, Canada, along with Italy, has the lowest wealth taxes, about a seventh of the rate in the United States.

However, prior to the budget, cabinet had been satisfied that the levy for health and post-secondary education was the most

The Honourable Victor Schroeder,
Minister of Finance, Province of Manitoba

balanced and fair tax available to us. At the request of the Federal Minister for Manitoba, the Honourable Lloyd Axworthy, we carried out a thorough investigation of Manitoba's comparative position in terms of costs for both employees and employers.

The results of that survey were most encouraging, confirming other independent assessments. When all factors were considered, including wages, taxes, rents, and utilities, the cost of operating a business office in Winnipeg, Manitoba is less than in any other major city in Canada, considerably less, other than Saskatoon. Saskatoon was very close to us; we were slightly cheaper, but compared to any other major Canadian city, it was considerably less. The same findings held for cost of living, except for Saskatoon, whose employees' cost of living is lower than that found in Winnipeg. Perhaps, if information like this were more widely available to business, more head offices and branch offices might be located in my province. Certainly, I would urge anyone present here who has any kind of influence of that nature to give serious consideration to Manitoba.

I started my speech by talking about the incalculable losses our nation is suffering due to unemployment and I want to conclude on that same topic. Three weeks ago, federal and provincial ministers of finance met to discuss the economic situation in this country. Every minister in attendance agreed that the crisis of unemployment should be the focus of attention in the months ahead. At that conference I proposed, on behalf of Manitoba, an eight-point program for national economic recovery. It was based, in part, on recent experience in Manitoba, which we believe has been modestly successful. In our province we have sought, wherever possible, to reallocate and "re-priorize" existing resources in support of programming which has maximum economic and job creation benefit. We have expanded consultation and co-operation among the various sectors of our economy in recognition of the fact that business, labour, and others share with government in the collective responsibility for development of the economy.

Through the recently concluded economic summit, business and labour have agreed to work with government to develop joint strategies for strengthening the Manitoba economy. We expect that the process for open dialogue we have established will continue to benefit Manitoba's economy. I want to add here a word about confidence. Often, we hear people talk about the crisis in business confidence and how serious that is for our economy, and I agree. It is a significant problem but there is another problem that is also important but is discussed less and that is the crisis of consumer confidence.

The monetary policy of our national government as established by the Governor of the Bank of Canada has frightened Canadians. Canadians, instead of spending their hard-earned dollars on Canadian manufactured goods or services or houses, are saving at record rates. Instead of spending, they are saving because they have no confidence that tomorrow's interest rates will not again skyrocket. Until consumers have more confidence in the future and begin to spend again (and perhaps that won't be until we have a Governor of the Bank of Canada who is prepared to renounce monetarism and playing ping-pong with interest rates in favour of a clear policy of attempting to achieve stable, reasonable rates as a top priority), the task of building for economic recovery will be that much more difficult.

Governments have an important role to play. The experience of other jurisdictions, like the United States, has clearly delineated the need for the approach Manitoba has proposed. Despite massive cutbacks in social spending, the deficit in the United States for this fiscal year is forecast to be $225 billion in Canadian funds – and that is by a government committed to legislation to eliminate the right of governments to deficit financing.

The key to our proposed attack on unemployment is co-ordination. Provincial and federal governments must work co-operatively. A second important aspect of our proposal is the use of expanded and accelerated public investment to create jobs. In 1983, business investment is expected to fall 5 per cent or more. Capital spending of $4 billion would be required to offset this decline, from already-low 1982 levels. Business cannot be expected to increase capital spending while at 70 per cent of operating capacity. We believe governments, through capital spending, can pick up a measure of this slack and at the same time create valuable employment and lasting beneficial assets. Such a program of spending for investment will cause a temporary increase in debt figures. But we believe this is a small price to pay if it will successfully point our economy back in the direction of prosperity.

No single sector of our economy has the ultimate and final responsibility for national economic recovery. Governments alone will not be able to turn around our present situation, nor will business working in isolation be able to reverse present trends. But government, business, and labour working together should be able to get the job done.

These are very hard times for our country. The high rates of unemployment in each province and territory threaten the social and economic fabric of our nation. I believe that all governments recognizing the seriousness of this situation will want to take action to calm its effects. This is the challenge for all governments in Canada – a challenge we must meet. Manitoba has already demonstrated its willingness to co-operate with Ottawa, the other provinces, business, and labour to ensure that effective action is taken early in 1983.

The appreciation of the audience was expressed by Mr. H. Allan Leal, a Past President of The Empire Club of Canada.

JANUARY 13, 1983

Corporate Power and Public Purpose

AN ADDRESS BY Thomas d'Aquino, B.A., LL.B., LL.M.
PRESIDENT, BUSINESS COUNCIL
ON NATIONAL ISSUES

CHAIRMAN The President,
Henry J. Stalder

MR. STALDER:

Distinguished members and guests, ladies and gentlemen: Thomas Aquinas the Saint was born in the year 1224 and specialized in theology. At that time this was most important, for he guided people in what to believe. He was a professor at Lyon and Toulouse. The church called him *Doctor Angelicus* and canonized him in 1323.

Our guest of honour today studied political science, international relations, and company and international economic law in Paris. This should enable him to teach the path of righteousness until the year 2000. Since he was not born until 1940 we should not expect any canonization before the year 2039.

Thomas d'Aquino is President of the Business Council on National Issues, an organization composed of some one hundred and fifty chief executive officers of major enterprises in Canada. Formed in 1976, the Business Council is the means chosen by senior business leaders to contribute personally to the development of public policy and to the shaping of national priorities. Member corporations are drawn from the full range of industry, trade, commerce, and finance in Canada. These companies administer in excess of $450 billion in assets which produce annually more than $170 billion in revenues. The member companies employ almost two million Canadians.

Mr. d'Aquino, a lawyer, is President of Intercounsel, an Ottawa-based consulting group which offers advice on federal government policy, legislation, and regulation, and on matters related to international business and trade. In addition, he is Professor Adjunct of the Faculty of Law of the University of Ottawa, where he teaches, at the graduate level, a course on the law of international business transactions and the regulation of multinational enterprise.

Mr. d'Aquino is a native of British Columbia and was educated at the University of British Columbia, Queen's, London University and in Paris. He holds B.A., LL.B., and LL.M. degrees, having specialized in political science, economics, and international economic law. Mr. d'Aquino is a member of the Canadian and International Bar Associations and of the Law Society of British Columbia. His professional experience has included: legal counsel to a national Canadian organization in the transportation field; five years in the federal government – one year as Executive Assistant to a federal minister and four years as a Special Assistant to the prime minister. For the past ten years he has acted as both legal counsel and an adviser to a number of major enterprises in Canada and abroad on regulatory problems. He is the author of a number of publications and has lectured and travelled widely.

Please welcome our guest of honour, Thomas d'Aquino.

MR. D'AQUINO:

Mr. Chairman, ladies and gentlemen. What a pleasure to be invited to speak from this well-known and widely respected platform.

I would like to share with you today some thoughts about our economy and about our country at a time when we face crisis and uncertainty.

When I was invited to speak, it was suggested that I might talk about the role and responsibilities of business in our national life and, more specifically, what business leaders of

Canada are doing to help us recover from the deep wounds of recession.

My task became more challenging in the face of the recent report of the Social Affairs Commission of the Canadian Conference of Catholic Bishops entitled "Ethical Reflections on the Economic Crisis." The Commission addressed the most tragic consequences of recession – the growing legions of disillusioned Canadians out of work and unable to find employment.

The report of the bishops is written in appropriately compassionate language and its theme has immediately captured nationwide attention. They speak of witnessing first-hand the results of a troubled economy: personal tragedies, emotional strain, loss of human dignity, family breakup, and even suicide. In speaking out, and they certainly have every right to do so, they remind those of us who are fortunate to have jobs and financial security of the urgency of helping those less fortunate. They name the unemployed, the welfare poor, the working poor – pensioners, native peoples, women, young people – and small farmers, fishermen, some factory workers, and some small business people.

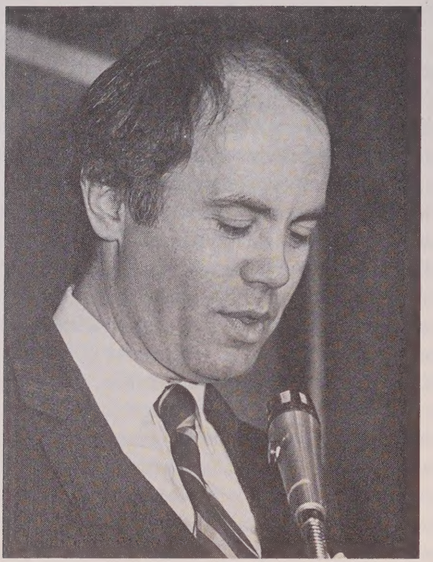
I know I speak for many business leaders in Canada in saying that the plight of the hardest hit of the recession's victims is very much on our minds. In the past year, I have spoken with many chief executives who have shared with me their anguish in having to close a plant, or shut down a production line. And that anguish had little to do with loss of profits. It has a great deal to do, however, with the impact they knew their decisions would have on families, local businesses, and sometimes entire towns.

We recognize therefore, as the bishops do, the tragic human consequences of the recession. We also agree with the need to address job creation as the number-one priority. But it is at this point that we part company, for we differ fundamentally with the bishops on how Canadians can achieve that end. Let me emphasize this point – we agree about *ends*; we do not agree about *means*.

First, the bishops argue that we should recognize unemployment rather than inflation as our top priority. We believe that the fight against unemployment and inflation are inseparable, that inflation is the greatest underlying threat to jobs and to income security. We believe that inflation has contributed significantly to the current economic crisis of Canada and the world. I find the connection between unemployment and inflation an easy one to trace, and really do not understand why the bishops fail to acknowledge it. For jobs to be created, economic production must increase; for production to increase and growth to resume, interest rates must come down – then people will spend and businesses will invest; for interest rates to come down, inflation must fall. To wage war against unemployment with little regard for inflation is to strike at one link in an interconnected chain, to treat an effect rather than the cause. Victory in such a situation is impossible. I would suggest the bishops' argument of "employment first, inflation somewhere else on the list of priorities" is flawed in another way. Inflation, not unemployment, is certainly the number-one enemy of those on fixed incomes outside the work force – especially the aged. To downplay the fight against inflation is to turn attention away from people who most need it.

Having demoted the fight against inflation in their list of priorities, the bishops then argue that a more equitable and balanced program should be developed for stemming the rate of inflation. They recommend that the burden of wage restraint be shifted to upper-income earners, that controls should apply to prices, and that new taxes should be imposed on investment income such as dividends and interest. Again we wish to differ. The Conference Board of Canada in a recent survey of three hundred and twenty organizations, mostly with large work forces, found that executives, management, and professional people are leading all other working Canadians in accepting pay restraint, and that often means pay freezes or even pay cuts. Unionized, working Canadians in the private sector have been least affected by the federal government's six-and-five program with many settlements already in place, or still coming in, above these guidelines. Insofar as prices are concerned, one has only to observe what is happening to price levels to recognize what a powerful discipline the market is exerting. The consumer price index is moderating, and many companies are struggling to survive in the face of falling prices for their products. The recommendation by the bishops that new taxes be applied to investment is most disconcerting and, in my view, seriously prejudicial to the goal of job creation. Without investment, companies – large and small – wither and vanish. We are seeing this all around us. With them go jobs. If rewards for investment in Canada are not attractive, investors will go elsewhere. Permanent jobs, and with them job security, can best be guaranteed by wise and active investment. The bishops, governments, all of us must get behind this investment drive if we expect to return to positive economic growth.

Third, the bishops argue for an industrial strategy aimed at developing permanent and meaningful jobs in local communities, increasing production, and creating new labour-intensive industries. A worthy goal – but no longer realistic unless those jobs, that production, and those industries produce goods and services that are competitive in the Canadian and international marketplace. Canada is not a remote island in a great economic sea. We are an integral part of a continent and a planet, more closely bound together by politics and economics than most of us realize. And, I would argue that the interdependence I speak of is a powerful force for progress and for peace, and should be encouraged. I would even go further and say that the developed countries of the world have a moral obligation to fight protectionism because at the root of protectionism lies a philosophy of beggar-thy-neighbour based on fear and some of the more perverse aspects of self-interest. To protect indigenous industries from healthy competition, would we not be compelled to raise barriers against imports of products and



Thomas d'Aquino,
President, Business
Council on
National Issues

services developed by workers in other lands, especially those in the Third World? Would we not be tempted to add to the already lamentably high numbers of non-tariff barriers that exist between regions and provinces in our own country? And what about Canadian consumers? Should we compel them to purchase products and services at costs that in most instances would be higher in a protected market? Will not some of those consumers be those disadvantaged among us whom the bishops would most wish to help?

Fourth, the bishops argue that greater emphasis should be given to the goal of social responsibility in the current recession. They say that every effort must be made to curtail cutbacks in social services and maintain adequate health care and social security benefits. They want guaranteed special assistance for the unemployed, welfare recipients, the working poor, and one-industry towns suffering from plant shut-downs. I am sympathetic to these appeals. Indeed, the evidence suggests they are being heard. The bishops should have noted that public spending in support of the victims of the recession has dramatically increased. The unemployment insurance fund will pay out this year the staggering amount of some $8.4 billion, an increase in one year of 75 per cent. Welfare payments are expected to exceed $6 billion. To be expected, the impact on the deficit has been enormous. Most of the business leaders I know do not begrudge this source of increase in the deficit. To be fair, the bishops might also have noted measures taken to help people who have exhausted unemployment insurance benefits; interest rate assistance programs for farmers, small business people and home owners; various direct job-creation programs; and housing related initiatives. I do not see evidence of abandonment of those suffering from the recession.

Fifth, the bishops argue that labour unions should be asked to play a more decisive and responsible role in developing strategies for economic recovery and employment. Hear, hear! But surely this means that organized labour must not only work more closely with the unemployed and unorganized workers as the bishops suggest. Shouldn't the unions also be working much more closely and co-operatively with employers and with governments? Isn't it time that nineteenth century European concepts of class conspiracy and class warfare couched in the rhetoric of "we and they," and so obviously inappropriate to Canada, be banished from our lexicon once and for all? And wouldn't the bishops be more comfortable with a broader definition of the word "worker?" To me all those who in one way or another apply their energies towards creation, production, and service are workers. To regard some as workers and others as something else – presumably the oppressors of the workers – is to foster division and conflict, and to violate what

I understand by the principle of dignity of human labour.

Following an outline of their five-point strategy, which I have attempted to comment on ever so briefly, the bishops then address what they call the crisis facing capitalism, and the impact of technology and change on the industrial order.

What is disturbing about their analysis is the imputation that democratic capitalism is somehow the cause of the current recession, and that as the dominant organizing principle of economic life it is causing to be unleashed upon us a new and terrifying industrial order. With respect, I believe the bishops are wrong about this. The cause of the current recession cannot be attributed to a single source in Canada or abroad. In many respects we are all to blame: governments, employers, employees, consumers. Our expectations and demands have been too high in relation to our effort. We have not worked together as closely as we should. We have been fearful of adjusting to change. And change will come, ladies and gentlemen. As Heraclitus stated five centuries before Christ, "There is nothing permanent except change." I am convinced that the only way to deal with change is head-on and with a positive spirit. I will outline some of the Business Council's ideas on this in a few moments.

But first, let's talk frankly about democratic capitalism. It is not only an economic system as the bishops would seem to imply, but a political and cultural system as well. Democratic capitalism involves a commitment to cultural ideals which include an open society, respect for the rights and dignity of individuals, and the vision of justice and equity that has been part of Western civilization since earliest times.

And has the system served us well? History and fact tell the story. Democratic capitalism has conferred enormous wealth upon the world, a wealth never before envisaged except in a few places, for the very few. It has also proven to be the most efficient system ever devised by human beings. Whatever its faults, no other system even comes close to it in inventiveness, productiveness, and in the achievement of widespread distribution. In Canada, a democratic capitalist spirit transformed a great wilderness into one of the richest and most modern countries in the world. It has provided opportunity and benefits to individuals beyond a level ever imagined by our forefathers. In their statement, the bishops quote statistics about income distribution that, I submit, are without meaning. A complete breakdown of the latest Statistics Canada information indicates clearly that Canadians enjoy one of the most equitable distributions of wealth of any country in the world. [Statistics Canada 1980: 12.2 per cent of families and unattached individuals have incomes of more than $40,000; 14.7 per cent have incomes of $30,000 to $39,000; 10.9 per cent have incomes of $25,000 to $30,000; 11.9 per cent have incomes of $20,000 to $25,000; 10.1 per cent incomes of $16,000 to $20,000; 12.2 per cent incomes of $10,000 to $16,000; 15.6 per cent incomes of $5,000 to $10,000; 9.9 per cent incomes of less than $5,000.]

Capitalism certainly has its warts. Its deficiencies are well known to us. But to suggest that the current recession proves that the system is deeply flawed is like saying that heart disease in humans is the result of a badly designed circulatory system.

With what system would the bishops replace ours? One which guarantees work to individuals through centralized planning? We know the performance of such systems and they are poor indeed – poor in terms of productivity, and in many cases even in the provision of elementary staples. And they often leave a good deal less room for individual choice and for personal freedoms.

Even if the bishops are not calling for the virtual dismantling of our system, they are at least inviting government to play an even bigger role in our lives at a time when democratic institutions are already suffering from the weight of massive and growing bureaucracies and the erosion of fundamental principles of accountability. I do not think we appreciate fully enough the link between capitalism and democracy. There is between them an underlying system of mutual reinforcement, an internal harmony. A distinguished American professor of religion, Michael Novak, puts it this way: "Traditions of private property and individual rights grew up in the capitalist orbit. An economic order built upon respect for the decisions of the individual in the marketplace; upon rights to property which the state may not abridge; and upon limiting the activities of the central state, are at the very least harmonious with the habits of mind required for a functioning democratic political order."

And what about profits? The bishops more than once in their analysis identify profits in less than generous terms. Yet this recession makes it dramatically clear that as companies' profits plunge, layoffs intensify, bankruptcies multiply, and tax revenues decline. Profits are not stuffed in the pockets of greedy capitalist oppressors to spend on the luxury goods which the bishops mention. Profits are, for the most part, put to work to keep the engines of industry running and thereby to employ and to pay people, and to pay taxes. On the level of the individual, profits are the rewards to that relatively small number among us who are prepared to assume risk in order to create, to build, to multiply. Life in the past couple of years has not been easy for the risk-takers. The soaring number of bankruptcies testifies to that.

I have disputed many of the views of the bishops. However, I would not want my difference with them to overshadow the fact that we are agreed about the need to address on a priority basis the problem of unemployment. Nor would I want to leave the impression that I have anything but admiration for the courageous step they have taken in advancing their views. We need a catalyst, and here we have one. I say to them, let's put aside the ideological rhetoric that needlessly pits Canadians against one another. Only then, I believe, will we be able to work together towards our shared goals for Canada.

What proposals has the Business Council? We have put our views forward in many forums. They are based on what we believe is a realistic appraisal of the economic world we live in, a world that is tied closely together by commerce and trade, a world that is fiercely competitive. Although it is a world that is rapidly changing, I do not foresee its transformation into a simpler, more idyllic place – a modern-day version of St. Augustine's City of God. Man individually and man in national groups has been blessed – or cursed – (as you like) with an instinct for self-preservation. This instinct leaves some room for altruism, but not enough, I believe, to base a view of society upon. That having been said, I find it interesting that some commentators are of the opinion that the recession itself is a powerful catalyst for change, and much of it good. They argue that it will produce a stronger, more resilient post-recession society in which we will work harder, demand less of others and more of ourselves, and link our personal ambitions more closely to the needs of the country as a whole. If these commentators are right, then the bishops and all of us should take heart, because out of calamity might emerge a reaffirmation of some old-fashioned values – those of self-discipline, a willingness to share, and respect for one's fellow man. These values dominate the ancient scriptures – in my view, they also have a place in a modern technological society.

What then of our program? In early 1982 the members of the Business Council on National Issues developed a ten-point strategy for recovery. Much of that program in our view remains relevant today. It calls for concrete steps to fight unemployment and inflation; to achieve voluntary restraint; to tilt the tax system towards investment; to create a climate of confidence in support of economic growth; to resolve outstanding federal-provincial disputes; to reduce barriers to trade within Canada; to ease the burden of regulation; to reassess the principle of universality in certain social programs; and to reform some of the institutions of government.

Since then, Business Council members have gone further, recognizing that if the recovery when it comes is to be sustained, Canadians must engage in a program of reconstruction. And by reconstruction we mean fundamental change in some of the attitudes, some of the structures, and some of the laws that shape our lives. Task forces made up of chief executives are now at work in three priority areas dealing with problems of the economy, social policy, and governance. We have engaged some of the best minds in the country to help us. It is too soon to offer you any conclusions, but I am certain you would identify with our concerns. We are seeking to develop models that would best guarantee sustained and inflation-resistant post-recession growth. Ways of improving productivity performance are of prime concern as are fresh departures in the critical relationship between labour, business, and government. We are also reassessing our industrial and trade strategies so that we can better seize opportunities in a world being transformed by stunning change.

On the social policy front, we are continuing our efforts to help develop an affordable, effective, and equitable pension system and other social programs.

In the critical area of governance, we will continue to advance our ideas for the reform of Parliament, the Senate, and other institutions of government.

In the meantime, we face the immediate task of igniting the engines of economic growth. We may at long last have some help: interest rates have fallen dramatically; inflation is declining; wage settlements have begun to fall in line with the lower underlying inflation rate; inventories have been liquidated; and monetary policies have been eased and are expected to continue to ease.

Given the possibility of an early recovery, we would suggest that the following proposals be at the heart of economic-led initiatives in the coming weeks.

First, that the federal government consecrate its efforts in the forthcoming Speech from the Throne and Budget almost entirely to economic recovery. This would mean putting aside for the time being a number of doubtless worthy initiatives at present being considered, such as Combines Act amendments, affirmative action programs and pension policy changes. The crusade for job creation will require unprecedented single-mindedness.

Second, the federal government should face the issue of fiscal stimulus with great caution. With prospects for recovery improving, excessive stimulus at this time might neutralize the gains achieved at such a painful cost in past months. The prescription should be mild stimulus at best with contingency plans in readiness should the anticipated recovery be no more than a false alarm. Moreover, the authorities should ensure that the impact of the stimulative measures be immediate, and that the measures be adjustable and reversible. We will be more specific in our recommendations when we meet the Minister of Finance on February second.

Third, we urge that together with governments we continue efforts begun successfully in 1982 to help reverse our still-deteriorating competitive position in relation to that of our major trading partners. Six-and-five has given us a precise target. Every step along the way to that target saves jobs.

Fourth, we ask our friends in the labour movement to join with us and with government to agree on a workable basis of consultation in preparation for the post-recession world. We cannot emphasize enough the importance and urgency of this priority.

Fifth, we expect closer co-operation between the two levels of government in developing and co-ordinating policies to fight the recession and to prepare for recovery.

Mr. Chairman, ladies and gentlemen, the coming months are going to be critical ones for the world as we balance precariously on the thin ledge between financial stability and chaos, between economic co-operation and vicious trade war.

Canadians will not decide the outcome. Let's pray that common sense and reason will prevail. In the meantime, there is a great deal we can and must do in our own land. The bishops have sounded a bell for change. Let's embrace the spirit of the bishops and work together to build a stronger and more prosperous community.

The appreciation of the audience was expressed by Catherine Charlton, Second Vice-President of The Empire Club of Canada.

JANUARY 20, 1983

The Future of Canada's Troubled Automotive Industry

AN ADDRESS BY Patrick J. Lavelle,
PRESIDENT,
AUTOMOTIVE PARTS MANUFACTURERS' ASSOCIATION OF CANADA

CHAIRMAN The President,
Henry J. Stalder

MR. STALDER:

Distinguished members and guests, ladies and gentlemen: Our guest speaker today, Patrick Lavelle, is President of the Automotive Parts Manufacturers' Association of Canada, which represents three hundred independent automotive parts manufacturers across Canada who are suppliers of original equipment and service parts to the worldwide automotive industry.

Mr. Lavelle was born in Toronto in 1939. He was educated at St. Leo's Public School in Etobicoke, St. Michael's College High School in Toronto, and the University of Western Ontario in London.

Mr. Lavelle began work as a journalist with *The Kingston Whig-Standard* and the United Press International in Toronto. From 1961 to 1963, he was a public relations account executive for Maclaren Advertising in Toronto. And in 1963, he became the Director of Communications for the Liberal Party of Canada in Ottawa. Then, for a period of a few years, Mr. Lavelle was Executive Assistant to the Honourable Allan MacEachen as Minister of Labour and Minister of National Health and Welfare.

In 1967, he was Assistant to the President of Maisonneuve Broadcasting in Montreal. In the next six years, our guest of honour further distinguished himself by being Executive Assistant to the Government Leader in the Senate, the Honourable John Connolly; an account executive for Public and Industrial Relations Limited in Toronto; and Director of Marketing and Sales for Consumers Glass Company Limited in Vancouver and Toronto.

From 1974 to the present, Mr. Lavelle has been the President of the Automotive Parts Manufacturers' Association of Canada in Toronto. In addition to the responsibility of this position, from 1980 to 1982 he was Agent General for the Government of Ontario in the Ministry of Industry and Trade. Ladies and gentlemen, please join me in welcoming our guest of honour, Mr. Patrick Lavelle.

MR. LAVELLE:

Mr. Chairman, ladies and gentlemen: I am pleased and honoured to have been invited to address this historic club. It is particularly gratifying for me to be here today as I am in the middle of the almost impossible task of attempting to bring about a consensus among the widely divergent aspects of the Canadian automotive industry – an undertaking I at one time thought impossible, and in fact, it may be. None the less, it is quite apparent to me at least that now more than ever, a consensus is absolutely necessary if the automotive industry is going to survive. I liken ourselves somewhat to Sir Edmund Hillary, who will speak to you next week, except we are at the bottom of an impossible climb. But you must remember that he made it; hopefully, so can we.

Those who came here today expecting that I will be attacking the Japanese, calling for measures to protect the Canadian automotive industry and for the end of the Canada–United States Automotive Agreement may be disappointed. I will attempt to look at the broader aspects of Canada's most important and dynamic industry.

It is important to state at the outset that Canada's automotive industry has been basically profitable and competitive. It has not until recently relied on public policy for support or protection. This is unique in the automotive world, where intervention by governments has been the norm rather than the exception.

The modern history of the Canadian automotive industry dates back to that historic day in Johnson City, Texas, in January 1965, when Prime Minister Lester Pearson and President Lyndon Johnson signed the Automotive Agreement which rationalized the North American industry. The fact that the President was confusing Britain's Harold Wilson with Mike Pearson will give you some idea of the importance the United States placed on the largest bilateral free trade arrangement in history. The United States has not put a lot of emphasis on the agreement since then – except when there were rare United States deficits. We Canadians, however, have responded to it as if it were the Magna Carta – never to be changed or altered.

Simon Reisman and a host of other Ottawa bureaucrats who were present at its creation led us to believe that not only was it the best Canadian trade agreement of all time, but also to change it would defile our heritage – to improve it, impossible! As a result, we have an agreement that is eighteen years old this week and hasn't been changed substantially in all that time despite the radically changed economic environment in which it presently functions – particularly in North America.

The Automotive Agreement has produced many economic benefits for both countries. Mass production for an enlarged market has created thousands of jobs and improved efficiencies, particularly in Canada, where the market is smaller. But it has also provided the United States companies with close to a million vehicle sales, year after year, through their Canadian subsidiaries.

Because of Canada's lower costs, the automotive industry flourished here, particularly the Canadian-owned highly independent parts industry, where production increased over five times between 1965 and 1981. But we still import twice as many parts as we produce. Accordingly, over two-thirds of the

$5 billion of parts produced in Canada are manufactured by independent companies who buy the bulk of their raw materials and components from other Canadian industries. The vehicle assemblers, on the other hand, with the exception of a few small truck assemblers, are 100 per cent foreign-owned and while they have been good corporate citizens, their loyalties are quite naturally divided.

In recent years, the energies of the American vehicle industry have been pushed and directed to survival, forcing it into alliances that years ago it wouldn't or couldn't contemplate. This means an accommodation with Japan, whose vehicle industry now dominates the world and probably will for the foreseeable future. This reality is having a dramatic effect on the Canadian industry. By the end of the present decade, Japan will have 50 per cent of the Canadian motor-vehicle market, if imports continue at the present rate. Over the same period, Canada will become the third source of supply for most imported parts into the United States, following Japan and South America. Since 1965, we have been first. Even now, Japan ships four times as many vehicles to the United States as we do. Many of those Japanese cars and trucks will be imported and sold in Canada by the domestic vehicle producers, in addition to sales by the regular Japanese distributors. The parts in those vehicles will be purchased in some Third-World country (if not Japan), where operating costs are lower than in Canada.

In the coming years, profitability and growth will return to the vehicle market in Canada. Canadians not only love their cars but they also need them to maintain their life-style and to develop the economy. We fail to realize, however, that by purchasing cars without Canadian content, we deprive local industry of necessary production which has a ripple effect on the country's trade and industrial activity from the steel mills of Hamilton to the docks of Vancouver and Halifax.

The Canadian automotive industry is the sixth largest in the world. It is also one of the most affluent. But the likelihood that it will continue to develop to the advantage of future generations is becoming increasingly remote. Canadians seem content to let the industry decline.

It is no secret that the United States assembly industry is no longer competitive with Japan. Whether this is because of currency manipulation on both sides or the higher productivity of Japanese workers, it is a fact that is no longer challenged. Professor Abernathy, the Harvard automotive expert who identified the competitive gap between the American and Japanese industry, in a private talk to a group of Canadians last fall, said that the United States industry was turning itself around but not without tremendous cost and dislocation.

The American industry is making great strides to improve its competitive position. It has introduced Japanese methods into both its management and manufacturing processes and most importantly, wage costs in the industry are actually declining.

I have never heard any senior executive at General Motors say that they can't compete with the Japanese but that hasn't stopped the company from organizing their marketing strategies around the fact that in some product lines they must import or joint-venture in order to retain their prominent place in the North American market. Also, I have heard others from the industry, including those from the multinational parts industry, declare that North American competitive pressures will eventually force their companies into making investment, management, and production decisions which will go against North American locations. This is already taking place.

A few weeks ago, I accompanied Premier Davis to a meeting in Detroit with ten of the largest multinational independent automotive parts firms operating in this country. The message was clear – if Canadian workers couldn't match wage demands with productivity increases, the firms would place future investments elsewhere.

An important aspect of the United States revival has been the readiness of United States labour to accept the hardships which will eventually lead to a more competitive North American industry, with job security and productivity growth being the bottom line. In Canada, we have been less ready to accept the realities that we face. The Chrysler strike, while perhaps justified by workers whose wages have been frozen for three years, was an indication that some Canadians are not aware of the competitive pressures we face.

Canadian automotive workers are productive and have deserved the benefits that have made them the top wage earners in the manufacturing sector. The future does not hold such promise. If the industry is to be competitive in the future, wages of both management and labour will have to be tied to increasing productivity along with a greater ability to find more common ground with each other.

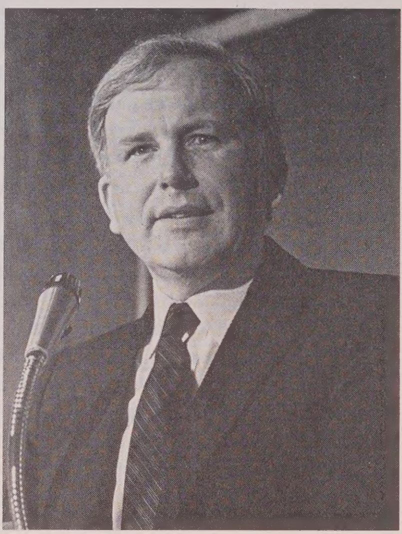
Despite the difficulties I have already alluded to, Canada has retained its comparative advantage as a parts-producing nation, particularly vis-à-vis the United States. The advantages of the lower Canadian dollar and raw materials, particularly steel, have been eroded in recent years, making it imperative that Canadian producers reinvest and alter their current strategies to adapt to a radically changing environment.

It is impossible to consider Canada's position in isolation. I want to assure you despite protestations to the contrary, the United States government is supporting its domestic industry. Domestic policies have been altered to remove some of the more costly regulations introduced on emission and safety control. A 25 per cent duty was unilaterally slapped on all Japanese trucks imported into the United States. For the past two years, quotas have been applied that have kept the Japanese at or about 25 per cent of the United States car market.

Two Japanese vehicle companies, Honda and Nissan, have invested in the United States, many foreign parts plants have located there as well, and local content laws or other hidden pressures, real or imagined, are forcing Japanese investment and parts to source in the United States. And we fully expect that the United States Congress will reintroduce a 90 per cent American content bill during the present session, which is now under way. This bill, while aimed at the Japanese, includes Canada in its net. Knowingly or not – and I suspect not – it is a bill that jeopardizes over $25 billion of automotive trade between our countries if the Canadian government retaliates as it surely must. These are well-orchestrated moves from the American point of view but they have not helped Canada. In fact, it can be argued that they have had serious adverse effects here, by virtue of the Japanese shifting their focus and their excesses to the Canadian market.

We Canadians, especially those who support fair trade, like to forget that the Japanese automotive market is protected. We forget that the efficient Japanese vehicle industry has emerged from a long period of government-supported policies, including subsidized steel prices and research and development, and that they have entered into marketing arrangements with many other countries, where they have a smaller share of the market than in Canada. In their own market, imports account for less than 3 per cent of sales.

I am not faulting the Japanese but rather those Canadians who feel that we should simply let these competitive pressures wash over us without response. It is impossible to contemplate a 100-per-cent-imported Canadian automotive industry without weighing the consequences of this free-market-oriented scenario. The steel industry would lose 25 per cent of its volume; over a thousand independent Canadian parts companies would be jeopardized; and the glass fabricators, tire makers, and the plastics industry would experience dislocations from which they would never recover. Over twenty-five thousand automotive workers have already lost their jobs and another one hundred thousand direct automotive workers would be set loose at a time when the economy is not producing new jobs as it once did. The suggestion of one analyst was to initiate a fund so that auto workers could move to other jobs.



Patrick J. Lavelle,
President, Canadian
Automotive Parts
Manufacturers'
Association of Canada

What he forgot to tell us was where those jobs are located. In Sudbury, Alberta, perhaps British Columbia?

Because we are so uninvolved in our own defence, we forget how strategic an automotive industry is in time of national emergency. Giving up on a vital industry and severely damaging others when the world is habitually on a war footing seems senseless.

And while very few people have proposed to let the industry go, their lack of concern is usually phrased in the need to provide consumers with vehicles that are competitively priced, efficient, and quality-oriented. We share their desire but it does not occur to these same people that if we give up our options and our domestic industry, regardless of what it is, we will be in the hands of foreign producers who can and will manipulate the market as they choose.

One of our problems with the automotive industry is that many Canadians perceive it to be foreign-owned and regionally located and therefore, not worthy of their more nationalistic or patriotic concerns. I have already pointed out that this is an erroneous perception. The parts industry is 60 per cent Canadian-owned (while located mainly in Ontario and Quebec, there are parts plants from coast to coast); the steel industry is 100 per cent Canadian-owned; and the domestic dealers, retailers, and aftermarket producers also have a high degree of Canadian ownership.

The vehicle producers are foreign-owned but they have built plants across the country and generally, they are prepared to live by the rules established by the national government – as any foreign corporation should – be it American, Japanese, French, or British. If the rules are too loose, then it's up to the government to tighten them up. Rather than opt for the zero-sum game, it seems more appropriate to search for some alternate strategies that will increase the competitiveness of the Canadian-based industry and that will provide economic benefits to this country in tune with its size and future growth – namely, more jobs, renewed profits, and investment.

Last October, on the day he became Minister of Industry, Trade, and Commerce, the APMA proposed to Mr. Lumley that the domestic labour, vehicle assemblers, and automotive parts manufacturers be called upon to produce just such a strategy. Mr. Lumley, because of his private-sector orientations, accepted our challenge and handed us the task with his help to undertake a study, which we are presently doing. The Task Force includes, among others, the Presidents of Ford, Chrysler, General Motors, the Canadian Director of the UAW, Bob White, who along with me is a co-chairman.

Our mandate is to review the present state of the automotive industry and make recommendations to the government for both short- and long-term solutions. This will involve the present threat of Japanese infiltration, our trade position with the United States, and the long-term competitiveness of the industry. Contrary to the perception of some, this is not an effort to develop protection for ourselves. It is a serious attempt to dissect the competitive and structural problems facing the industry so that we will be able to compete in the future on an equal footing with our competitors.

As a member of the Task Force, I will not prejudge the conclusions of the commission. This is only January. My immediate and most important concern is the survival of the independent parts industry in Canada and to ensure, from the industry's point of view, that our conclusions are not self-serving. We are prepared to accept a number of realities in the process. We are no longer as competitive as we once were but the industry – particularly the parts industry – is lean and trim after three years of harsh production and employment cutbacks.

We are encouraged that Canadian-owned companies, such as Magna International, the largest independent parts company in Canada, is projecting a large increase in profits in 1983. In recent years, only two publicly traded parts companies have lost money in Canada and that was because of very special circumstances.

As growth returns, so will productivity gains, which were once the highest in Canadian manufacturing. Canadian competitiveness, based on the dollar alone, will be enhanced as Canadian inflation rates move in line with those in the United States as a result of the industry's adherence to the government's restraint program.

Canadian steel prices, once 15 per cent below those in the United States, but now under attack from predatory pricing by the United States mills, will return to more competitive pricing once the American steel industry completes its shakeout and reorganization.

Ontario Premier William Davis has just inaugurated an Automotive Parts Technology Centre, which will help bring new and innovative management and manufacturing techniques to small-and medium-sized parts companies in Ontario. It will also assist in plugging these same companies into financial benefits at the federal level, which they have been unable to obtain in past years. The comparative advantage we have had with the United States in this industry will improve if we take the time now to adopt policies which will allow Canadian companies to gear up for the challenges that await. Mr. Lumley has indicated publicly that the government will help establish a climate in which the industry can retain its competitive advantage. This is a welcome change in government policy which previously treated the automotive industry as a regional one that had reached its zenith and was in decline.

Before closing, I would like to define briefly some of the options we have before us. Given common commitment from labour and industry, the federal government and provincial governments can play a crucial role in ensuring a favourable trade and economic environment for manufacturers and workers. To ensure such an environment, we must recognize the multilateral nature of the industry. We need not only a comprehensive policy with the United States but also one with Japanese and European producers. Such a policy must have at least two broad goals: first, to support the resurgence of our domestic industry; and second, to encourage Japanese and European producers to manufacture in Canada and to buy Canadian-made parts.

There are several options available for developing an effective multilateral trade strategy, and I am of the mind that no one option will be suitable by itself. In the first case, we could impose some kind of Canadian content requirement that would force all companies sharing our market to purchase a certain percentage of their parts from Canada. Another option would be to use our tax system to achieve some of the same effects while also encouraging exports. A third option would be to renegotiate the Canada–United States Automotive Agreement to secure additional Canadian value added. To be successful, our trade policy must offer both carrots and sticks to all producers. If the object is to encourage Canadian production and employment, we must develop a careful mix of policies that will not shield our existing producers from competition, but will instead encourage our foreign competitors to participate in our manufacturing system.

Canada is blessed with many unique resources, abundant energy, and raw materials, productive and reasonably priced labour, easy access to the American market, and strong trade ties with Europe and Japan. With the proper mix of trade policies, would it not be possible to develop Canada as a major automotive manufacturing stage for export to Third-World countries? I think it would.

As Canadians, we have been late in realizing that well-conceived short-term protection of our domestic industry could be a lever for attracting new competitors to our soil, thus encouraging domestic competition and efficiency rather than diminishing it. Moreover, we have been late in realizing that to participate fully in the long-term benefits of fair trade, we must be prepared to take radical steps in the short term to ensure our own international competitiveness. Ensuring the automotive industry's competitiveness is something which ultimately will depend on the resources and talent of the industry. But given a clear commitment from management and labour to restore the industry to the highest international standards, government can do its part by fostering a favourable trade environment.

It would be irresponsible of me to argue that the government policies I have suggested would not have a cost. They do have costs in tax dollars and purchase prices. But they will have long-run benefits far outweighing the costs. Beyond the limited content arrangements in the Auto Pact, Canadian parts producers have had no protection for the past eighteen years. Aside from some patchwork, and federal and provincial assistance programs, there hasn't been a concerted program aimed at replacing outmoded plant and equipment as there has been in other jurisdictions.

I believe the industry now has the potential of entering a new era of higher productivity, more stable employment, and new models of labour and management relations. It still has a long way to go, but all the competitive pressures are inexorably pushing it that way. If Canada acts quickly and with vision, I think we have the unique opportunity to internationalize our domestic industry and revitalize the linchpin of our manufacturing sector.

I am confident that the automotive parts industry is ready for the difficulties ahead. We recognize now that within our adversities there are great opportunities. I hope the Canadian people will recognize this too, and be ready to answer in the affirmative when we come forward with a strategy for building a new, more competitive, more internationalized Canadian automotive sector.

The appreciation of the audience was expressed by Brigadier General Stephen Andrunyk, Immediate Past President of The Empire Club of Canada.

JANUARY 27, 1983

Beyond Everest

AN ADDRESS BY Sir Edmund Hillary, K.B.E.

CHAIRMAN The President,
Henry J. Stalder

MR. STALDER:

Distinguished members and guests, ladies and gentlemen: Don't we all in a philosophical way climb our own mountains? Don't we all seek the same uncertain rewards? Don't we all wait for the most rewarding moment to look down? There is always room at the top, but the way there is steep and can only be taken by the daring. And one must never forget that the way back down is just as dangerous – if not more so – as the ascent.

Our guest of honour, not only a sportsman but a humanist, is well acquainted with that fact.

Sir Edmund Hillary, K.B.E., was born in New Zealand in 1919. He was first an apiarist, then he served with the New Zealand Air Force, and, with Tenzing Norgay, he stood atop Mount Everest on May 29, 1953, thirty years ago. Sir Edmund was also the leader of the first overland vehicle party to the South Pole, and he has explored many of Nepal's unmapped regions, thus filling in blank spots on the world's atlases and in the history of discovery.

He has conquered raging Himalayan rivers in jet boats and he has bridged ten of them while labouring under the most primitive working conditions. He has established hygienic water systems in out-of-the-way villages. With the help of untrained Nepalese he has built twenty-two schools, two airfields, three hospitals, and ten village clinics. In addition, he has organized the escape of thousands of Tibetan refugees. Sir Edmund Hillary's life has been devoted to aiding the cheerful, short-lived, disease-ridden people of the Himalayas. Since 1961 the New Zealand Himalayan Trust has provided materials for all his humanitarian efforts. From 1974 to 1976 he watched the formation of the Canadian "Sir Edmund Hillary Foundation," dedicated to rebuilding and funding the Khunde Hospital, as well as six medical clinics, and to providing medical supplies and food for a medical practitioner at Khunde. Sir Edmund's own objective is to teach these people to become craftsmen, nurses, and teachers, and he has sponsored the education of promising young people who then return to teach in their home villages.

Sir Edmund has written numerous books and articles, has lectured widely, and has produced adventure films. He is a company director of several firms. Besides an impressive array of medals and decorations, he holds three honorary degrees: Doctor of Laws from the University of Victoria in Victoria, British Columbia; Doctor of Laws from the University of Victoria in Victoria, New Zealand; and Doctor of Laws in Humanities from McMaster University in Hamilton, Ontario.

Ladies and gentlemen, please welcome our guest of honour, Sir Edmund Hillary.

SIR EDMUND HILLARY:

Mr. Chairman, ladies and gentlemen: I always remember those grand old days when we organized a Himalayan expedition to search for that strange and elusive creature – the abominable snowman. One newspaper in the United States had a rather good cartoon which someone cut out and sent me. In front of a news-stand were two abominable snowmen, one big one and one smaller one, and they were reading one of those boards with the hot news of the day on it. There was no doubt that the little snowman was really worried.

The title on the board read in big type, "Hillary to hunt Abominable Snowman." But the big snowman wasn't impressed at all. "Heck, why worry?" he said to his smaller companion. "How do we know that Hillary even exists?"

In 1951, thirty-two years ago, I made my first visit to the Himalayas, and we climbed some pretty good mountains too. A couple of years later – in 1953 – Sherpa Tenzing and I stood on the top of Everest – the culmination of much effort on many hardy expeditions. I have many memories of those great days – memories of difficulties and danger, and particularly memories of comradeship and team spirit.

I suppose that all of us want to receive recognition as individuals at some time or another – be it in sport or business or even in politics. I've certainly been lucky enough to have had more than my share.

I received my most treasured decoration immediately after the successful ascent of Everest in 1953. I can well remember that great occasion in Kathmandu when the decoration was presented. It was all carried out on the front steps of the magnificent British Embassy. The courtyard was jammed with people and motor cars. The people weren't unusual but the motor cars were – in those days there was no road joining Kathmandu with India so every vehicle had to be carried over the hills for a couple of days by about sixty-four porters. Well, it was a very impressive ceremony with many speeches and much shaking of the hand – and finally, the presentation to Tenzing and myself of an enormous decorative star, very bright and very colourful.

I wasn't at all clear as to who was actually making the presentation, and it wasn't until all the vehicles had rumbled away and the people had departed that I had the chance to read the actual inscription. I will always remember it. On top it said, "Presented to the Conqueror of Everest," and on the bottom, "by the Kathmandu Taxi Drivers Association."

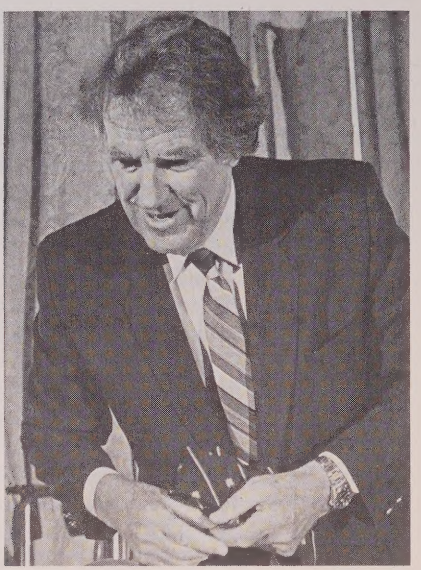
Over the years I've been lucky enough to be involved in a number of exciting adventures – in the Himalayas, the Antarctic, and elsewhere. But slowly my values have been changing – I found that success was still important to me, but so, increasingly, were human relationships. I became involved in assistance programs in Nepal – building schools and hospitals, bridges and water pipelines. Success on a mountain was not now the only thing that mattered; to help others to improve their way of life became a prime target. And that's the way it has gone on; still the odd adventure – jet boats up the Ganges, through Tibet to the east face of Everest, even backpacking on Baffin Island in the Canadian Arctic – but more and more I've been getting involved with people and their problems, and very satisfying it has proved to be.

As my interest in people has grown, so too has my awareness of our natural environment and the importance of its conservation. After all – people and their environments are very closely related.

Thirty years ago conservation hadn't really been heard of. On our 1953 expedition we just threw our empty tins and trash into a heap on the rock-covered ice at Base Camp. We cut huge quantities of the beautiful juniper shrubs for our fires, and on the South Col at twenty-six thousand feet we left a scattered pile of empty oxygen bottles, torn tents, and remnants of food containers. And the expeditions of today aren't much better in this respect either. Mount Everst is littered with junk from the bottom to the top – there are even a few bodies lying around.

Since those years I have spent a great deal of time in the Himalayan Kingdom of Nepal. I have learned to understand the people, to enjoy their friendship and cheerfulness, and I have gained an appreciation of some of their problems. One thing that has really concerned me has been the destruction of their natural environment that is taking place.

Population pressures are forcing the farmers higher and higher up the mountainsides to find land where they can plant their crops. A large proportion of the forest cover has been destroyed in order to clear land for cultivation, to supply the local people with fuel, and to produce firewood for trekking and climbing groups. The Nepalese are experts at ingenious and laborious terracing of their hillsides, but when the mon-



Sir Edmund Hillary

soon rains come the surface soil is washed down into the streams; it pours into the great Ganges River, flows out into the Bay of Bengal, and is finally deposited in the Indian Ocean. That valuable soil will never return.

The situation is indeed becoming desperate – desperate not only for Nepal but for many similar countries in the Third World. It is my belief that all of us in the developed countries must accept some degree of responsibility for any massive destruction of the environment which may occur on our globe. What can we do to help?

Well, an example of what we can do is the Sagarmatha National Park. This lies on the south side of Mount Everest. It was established about seven years ago and it covers a very extensive area. About three thousand mountain people live in this national park, but each year double that number of foreign visitors come to the area. Over the years these visitors have used great quantities of the limited supply of firewood for cooking and heating, although efforts are now being made to persuade them to use kerosene for fuel. In this park a small amount of reforestation has begun, using New Zealand government funds, but this support has now come to an end. Virtually the only funds now available come from the Canadian Hillary Foundation. We contribute a very modest $10,000 to $15,000 a year, but much greater sums are needed if this superb park is not to seriously decline and become a barren eroded desert. There are many such cases around the world.

So I have become a keen, and, I hope, a practical environmentalist. I am concerned not only about the deterioration of our environment in the more affluent developed countries but in the poorer countries – those that simply don't have the finances to help themselves – as well. I worry about the pollution in our great cities and in our many waterways. I even worry about the Antarctic and about the potential dangers facing that great remote continent.

I have spent much time in the Antarctic; I was in McMurdo Sound only a year ago. I discovered then that all the talk was about the oil potential, the possible mineral resources, and farming and krill. Only the difficulties of access have prevented an even greater concentration on commercially-oriented investigation and exploitation – seeking out some of the last miserable remnants of oil under the surface of the earth. I heard little about the protection of this superbly beautiful environment, although much good work has been done by scientists in the past and, in truth, is still being done. I dread the thought of drilling being done through the movable pack ice with the attendant possibilities of an enormous oil spill and the destruction of millions of Antarctic creatures.

The Antarctic Treaty has produced a demilitarized, unpolluted wildlife sanctuary dedicated to free scientific co-operation. But now major political problems are looming. The possibility of economic development has turned the attention of many countries to the Antarctic, countries who have not signed the Antarctic Treaty, and conservation could become a minor priority in the search for wealth. When I was deeply involved in Antarctic exploration I regarded the South Pole as a continent of science and adventure. The world needs places like that, and I hope that it stays that way.

The moments you remember most clearly are not always the most dramatic ones – certainly the summit of Everest was important to me, but there were other occasions that at the time they happened were equally impressive.

In the middle of October 1957, I set off from Scott Base in McMurdo Sound with a group of farm tractors bound for the South Pole. Very few people in McMurdo sound had any confidence in the travelling ability of our tractors, and our neighbouring Americans and most of the New Zealanders at Scott Base openly doubted that we would go fifty miles out on the Ross Ice Shelf before having to be rescued. But the more opposition we got the more determined I became to prove them wrong.

Our journey across the Ross Ice Shelf started off very slowly indeed – only six miles were covered that first day. But then we started to improve – twenty-three miles, thirty miles, thirty-two miles, and then thirty-eight miles. On the sixth day we drove for thirteen hours and covered a massive fifty miles (massive at about three miles per hour anyway). We had reached our depot at the foot of the Skelton Glacier.

Ahead of us now was the great ice floe of the glacier, peppered with steep slopes and deep crevasses. For 130 miles the trail climbed up to eight thousand feet, where we had established the Plateau Depot with small ski planes. Would we be able to make it with our simple tractors?

Day after day we battled our way upwards through drifting snow, breaking through the crust of innumerable crevasses, being battered by constant strong winds. Whenever the sun appeared I'd hastily work out our position and then turn the tractors back onto the right heading. Slowly we made height and reached the snowfields at the head of the glacier. Dense fog surrounded us but still we pushed on: we knew we must be somewhere near the Depot, but would we ever find it?

Suddenly, the mist began to thin and we emerged into clear visibility. I looked anxiously ahead; there on the horizon, several miles away, was a tiny black triangle – a tent. It was the Plateau Depot.

I have never felt more relieved or excited. Alone in my vehicle, in an unaccustomed outburst of emotion I shouted and sang at the top of my voice. Despite the doubts of others (and, I admit, ourselves), we had made it. We were still nine hundred miles from the South Pole but that was one of the best moments I can ever remember.

Six months ago, in London, I attended a Conference on the Human Environment organized by the United Nations Environmental Program. It was attended by distinguished scientists and administrators from all over the world, and I found it a remarkable, although rather terrifying, experience. I am neither a distinguished scientist nor an administrator – I spent my early years as a simple bee farmer in New Zealand – but no one who has any feeling for the beauty of nature or any concern for his fellow human beings could have been unaffected by what we heard.

Scientists told us the grim story of acid rain – of how in Scandinavia and here in Canada thousands of lakes and great areas of soil have been poisoned by sulphurous fumes released into the atmosphere when fossil fuels are burnt.

I learned with concern of the carbon dioxide build-up in the atmosphere. There is still debate on this topic but one thing is clear – the concentration of carbon dioxide in the atmosphere is increasing due to the burning of fossil fuels, deforestation, and changes in land use. Dr. Robert White, of the University Corporation for Atmospheric Research in the United States, forecasts that in sixty years the amount of carbon dioxide in the atmosphere will have doubled and the average world temperature will have increased by four or five degrees. This, he believes, will melt enough Antarctic ice to raise the level of the oceans by fifteen feet, flooding many of our great cities.

Perhaps the reports most depressing to me were the ones with which I was more familiar. Desertification of the world's arable land threatens agriculture on every inhabited continent. Desertification, we were told, means any ecological change that saps a land of its ability to sustain agriculture or human habitation. It is seen, perhaps at its worst, in Africa. It can be controlled, the experts assured us, but only through substantial international effort: making changes in herding practices and land use, building fences, developing firewood alternatives, stabilizing sand dunes with hardy vegetation, and so on. Effective action on a global basis, we were told, would require a commitment of several billion dollars a year from now to the end of the century. Inevitably, it was pointed out that if only a tiny fraction of the world's armament bill was devoted to the environment then the world could bloom again.

And then there is the ocean! Famous personalities like Jacques Cousteau and Thor Heyerdahl expressed their conviction that the oceans were becoming severely polluted with serious consequences for the future of the world. Their arguments were very convincing.

There were many other topics discussed: disposal of atomic waste and even war itself, the pollution of the atmosphere and the destruction of huge areas of the world's tropical forests.

After the first day of the conference I walked rather sadly out of that London City Council Hall and into bright sunlight and a clear blue sky. With rising spirits I strolled across the green grass and beautiful trees of St. James Park. The world was still very beautiful, I told myself, whatever the future might hold. Every effort must be made to preserve it.

The second day of the Conference was devoted largely to discussing what practical action could be taken to alleviate these environmental problems. The International Conference on the Environment came to certain major conclusions:

- that the problems were severe and required urgent action, and time was desperately short;
- that the task could only be tackled on a global scale and would require very substantial sums of money;
- that governments would be reluctant to institute such dramatic action unless they were pressured by strong and well-informed public opinion. It was felt that the NGOs (the non-government organizations) had a very important role to play in the education of the public and in pressuring governments.

At the conclusion of the Conference the distinguished members were each asked a simple question – are you optimistic or pessimistic about the future of our world? Hardly one person in this international gathering was completely optimistic. All had varying doubts and concerns. But not one person was completely pessimistic either.

I came away from the Conference with the firm belief that the future is entirely in our own hands; we can make the world what we will – a paradise for all or a barren desolate globe spinning endlessly through space. It is all up to us!

But the problems are certainly enormous. Regional and commercial interests exert tremendous pressure to mould government views, often with little interest in the long-term view and the welfare of our future generations. Our only hope for the future must lie in a strong and well-informed public opinion and in those devoted people who work so energetically to protect our world from unnecessary exploitation and pollution. In the long run it is all up to us!

The appreciation of the audience was expressed by The Right Honourable Roland Michener, Past Honorary President of The Empire Club of Canada.

FEBRUARY 3, 1983

Idols and Dangers of Our Complex World

AN ADDRESS BY His Excellency
Dr. Alexander N. Yakovlev,
AMBASSADOR OF THE USSR IN CANADA

CHAIRMAN The President,
Henry J. Stalder

MR. STALDER:

Distinguished members and guests, ladies and gentlemen: When I was thirteen, my mother presented me with an unusual birthday present: a collection of books by Pushkin, Gogol, Turgenev, Tolstoy, Dostoevski, and Maxim Gorki, whose work particularly fascinated me. Gorki was born on the twenty-eighth of March, 1868, in Nizhni Novgorod as Aleksei Maxsimovich Peshkov, and I would like to quote a few lines from his book, *The Mother*:

> "What are you doing, Pavel?"
>
> "I'm reading prohibited books," he said to his mother. "They are prohibited because they tell the truth about our life and the life of the oppressed, the workers. If my reading of these books gets to be known, I might end up in jail."
>
> "Then why are you doing it, Pascha?" asked his mother.
>
> Quietly, he answered, "Because I want to know the truth."

This story first appeared in 1906 in English in the United States, and only in 1907 was it published in Russian and edited in Berlin. The writer died on June 18, 1936.

The hero of the story, Pavel, ends up in court and is exiled. The end of the book reads: "'Is that Pavel's mother?' somebody asked. 'Permit me to shake your hand, your son forever will be our idol and hero.'"

This book has to be appreciated in the context of the time when it appeared and in the political framework of the turn of the century.

I would like to challenge all those who think they know so precisely what is right and what is definitely wrong to read this book by Maxim Gorki.

Our guest of honour is an eminent historian. Alexander N. Yakovlev, professor, Doctor of History, the seventh Soviet Ambassador to Ottawa since 1942, when the USSR and Canada established diplomatic relations, presented his credentials on July 26, 1973. He is now the dean of the diplomatic corps.

Dr. Yakovlev was born December 2, 1923, to a peasant family in a village not far from the ancient Volga city of Yaroslavl (265 kilometres northeast of Moscow). In 1941, he finished secondary school and was called up for military service. During the war, he fought Nazi invaders with the 6th Brigade of Marines outside Leningrad. In 1943, he was seriously wounded and demobbed after hospitalization as a war invalid.

After returning home, Dr. Yakovlev enrolled at the History Faculty of the Yaroslavl Teacher's Training Institute. Upon his graduation, he taught at the same Institute. Later on, he took up journalism in the regional newspaper, *Severny Rabochy*, (*Northern Worker*) in Yaroslavl, writing and editing articles on education, culture, and science. In the 1950s, Dr. Yakovlev completed postgraduate courses and in 1957–58, he was a trainee at the Faculty of International Relations of Columbia University.

For a number of years, Alexander Yakovlev carried out research and instruction at higher educational establishments in Moscow. He has written many scientific works (books and papers) on the theory of international relations and their attendant social problems. Among others are *Pax Americana* and *Ideology of the American Empire*. Yakovlev has also taken part in a number of international scientific conferences and symposia. As well, he has been awarded several orders and medals, including some for his participation in the Second World War. Ladies and gentlemen, please welcome our guest of honour, His Excellency, Dr. Alexander Yakovlev, Ambassador of the Union of Soviet Socialist Republics to Canada.

AMBASSADOR YAKOVLEV:

Mr. President, ladies and gentlemen: I am aware of the custom on this continent of starting speeches with a joke, particularly after such a delightful luncheon. Public relations experts argue that this provides contact with an audience, and creates a favourable climate for the speaker. After some hesitation, I decided not to take this tried and true way, but to risk opening my address on a somewhat sad, sorrowful note, knowing that business-minded people respect risky endeavours.

I am sure that this audience is very familiar with the famous American actor, John Wayne. Posthumously, he was awarded the Gold Medal as tribute to the fact that he personified through his screen characters the true, model American. The French magazine, *Le Cinema*, commenting on the award, noted that for Wayne characters, the greatest human virtue is violence. The author of the article called hero worship "the sponger of the intellect."

Who, in reality, are these Wayne characters? What is the message they deliver from the screen to humanity, provided that we view in earnest the awarding of the Gold Medal to Wayne as to a true American?

The life lines of Wayne characters are quite simple, even primitive, I would say. They are familiar with two colours only – black and white, and they are two types of people – good and bad, with two symbols dividing the world – Good and Evil. This might be viewed lightly if the subject were confined just to cinema, and not extended to a simplification of life. There are indeed both the forces of Good and the forces of Evil in the world, as we all know from fairy tales and from the

Bible. But regarded in terms of real life, the Wayne concept is a dismal and frightening one.

Wayne characters viewed Good as something that was favourable to America, while the forces of Evil to them were embodied in all systems and persons who dissented with America. Dissenters in Wayne films were depicted as barbarians, not quite human, as second-rate people who deserved extermination, and a Wayne character convinced that he was defending Good could be incited to destroy the forces of Evil. As simple as that – like the argument that "I am right because you are wrong."

It might be argued that these are not the true virtues of Americans, that Wayne characters do not mirror the true mentality of the continent, that they grossly oversimplify American ways of thinking. My opponents would be correct if the subject of my address were the ideals, the human virtues. But the problem that I want to note is in another category – that of idols, myths, and stereotypes.

Wayne characters are, in effect, idols who are to be imitated without thinking, without pondering over historical retrospectives or over the simplistic division of the world into Good and Evil. Those who do identify with Wayne characters revel with them in the swamp of death and destruction, in the sufferings of the Brethren of the Lord. They are possessed by an artificially inspired craving to destroy those whom they scarcely know. They are blinded by the dazzle of hatred and revenge, and that is quite ominous and frightening.

In great fashion today are not only character idols, supermen who have all the impact of Niagara Falls on trusting TV and cinema viewers but also in wide circulation are idols of words, stereotypes who do not have any real validity. I myself do not belong to the semantic school of philosophy. Economic interests and considerations underlie all human actions, of course. But the communicative part of our life does rely on words, greatly affecting human behaviour.

As far back as 1922, if I recall correctly, American publicist

Walter Lippmann wrote in his book, *Public Opinion*, of the procedure of introducing stereotypes as a method of disrupting human links with life and of making a human being subservient to the will of others. According to his theory, a person perceives the world through imagination, not through cognition. Stereotypes contribute to the way a person forms an opinion of reality prior to seeing and contacting it. Such predetermined bias builds up opinions, so that something scarcely familiar seems suspicious and something totally unknown seems alien. The human subject puts his or her trust in the stereotyped message and, even worse, subordinates his or her thoughts and actions to it.

We witness today the human conscience being manipulated by stereotyped notions which are conveying one or another public message or directive. There are, naturally, quite a few among these which contain humanitarian features or are neutral in nature. People are aware of what such words as *peace, love, sympathy, family, altruism*, and *help* stand for. These concepts convey good will to the people.

The trouble lies elsewhere. There are many clichés in international politics today, which though not themselves leading to a holocaust on our planet, are actively contributing to such a horrible possibility. Many cornerstones of Western politics are based, for example, on the stereotype of "the Soviet threat." To deliver people from this threat, billions are spent, ever-new types of weapons are invented. Huge intellectual potential is devoted to producing the most efficient methods of killing people and blowing up our planet. But nobody, please note, nobody has ever explained clearly and scientifically what these clichés about "the Soviet threat" are based on in real terms. Such a threat simply just does not exist. When we speak in the Soviet Union of considering as real the threat to us, we are proceeding not from a contrived view of what might be, but from our memories, our experience of the very real past.

The birth of our country was not welcomed in this world, to put it mildly. The aggression of fourteen states, including two countries of this continent, after 1917 cost us seven million lives. We were attacked by China in 1929, and twice by Japan in 1938 and 1939. Hitler's invasion in 1941 took twenty million lives (not far short of the entire population of Canada today). By the way, Hitler also covered up his atrocities with the myth about "the Bolshevik threat."

I took part myself in combats near Leningrad and witnessed the ruins of cities and homes. The slaughter of innocent civilians, including women and children, immeasurable human suffering and grief experienced by the Soviet people, the destructiveness of war witnessed by the gallant Canadians who took convoys of ships to Murmansk, raided Dieppe, and assaulted the beaches of Sicily and Normandy, raise one common question. Maybe all those who know from first-hand experience that real war cannot be viewed as a shoot-out in a Wild West saloon should display greater responsibility when confronted with rehearsals of scenarios for nuclear war.

We recall other things as well. The NATO alliance was created four years earlier than the Warsaw Treaty Organization. We cannot ignore the fact that, as archives now being unclassified in the West show, nuclear attack against us was contemplated. As early as 1948, a plan code-named "The Charioteer" was completed. In the first month of hostilities, it was proposed to drop 133 atom bombs on seventy Soviet cities, 8 of them on Moscow and 7 on Leningrad. In the same year, a plan code-named "Fleetwood" was sent to field headquarters as a guide for operations. In 1957, a similar plan for nuclear attack, "Operation Dropshot," was elaborated. Today, the Soviet Union is surrounded by five hundred military bases.

It may also be recalled that we have never been the first to invent or deploy a single weapon system and have rather been left with no choice but to follow the principal workshop of armaments.

Last but not least, it was not the Soviet Union that refused to ratify SALT-II, it is not in the Soviet Union where the nuclear first strike is being discussed, where winning a nuclear war is being contemplated, where a protracted nuclear war is being planned. It was not in my country that the notion of ten well-placed nuclear bombs to reshape Soviet society appeared. It was not in the Soviet Union where the statement has been made that we, the Soviet people, must choose between our system and war.

It is unfortunate that the brainwashing machine is working at full speed not only across the border. Two weeks ago (on January 19, 1983), *The Citizen* published the following statement, that surely must have originated in a primitive cave: "We must at all cost destroy the enemies of all that is good, true, and moral" – that "enemy," needless to say, was supposed to be my people. In the Soviet Union, the authors of such a statement would be prosecuted under the law on the prohibition of propaganda of war. Incidentally, such publications are contrary to the Helsinki Final Act. They are also certainly contrary to common sense. The same newspaper, in another article, admitted that "a nuclear exchange will not be war, but holocaust" (*The Citizen*, January 25, 1982).

I could continue the list of threats, but my objective is not to put the blame at someone's door and enjoy every minute of it, like Wayne characters. Instead, I would like to invite the audience to think over what you would decide if you had similar facts and statements in your possession, but applied them to your country. I am urging you to try to understand our feelings when we are threatened with destruction.

Certainly, the stereotype of "the communist threat" wins over many with its sheer simplicity, with the ease with which it accounts for all troubles and difficulties in the world, with its ability to submerge the truly worrisome concerns about peace, employment, and daily bread. But mankind has already experienced the result of being seduced by this idol, which served as the basis for the entire infrastructure of the first Cold War in the 1940s and 1950s, when any event became an item of confrontation rather than co-operation.

His Excellency,
Dr. Alexander N.
Yakovlev,
Ambassador of the
Union of Soviet Socialist
Republics to Canada

Wayne characters divide everything in life into Good and Evil. Modern political analysts present a somewhat more complicated pattern: basically, they divide societies into dictatorships and democracies. Every child on this continent will know from the nursery the standard answers to which is which. He knows well that dictatorships are in socialist countries, while the joy of freedom is here in the West. There are, though, also the so-called "good dictatorships," which are adverse to the USSR. They are tenderly referred to as "rudimentary democracies."

I would like to recall an incident that happened to the famous playwright, Sheridan. His colleague, Cumberland, author of tragedies, declared that he had not smiled once during Sheridan's comedy, *The School for Scandal*. To which the latter responded that he had roared with laughter throughout Cumberland's tragedy. The same is true today. We may cry in my country over things that you laugh about, and vice versa. It is a matter of outlook, tradition, social and political realities. We have differing views on social development, conflicting opinions on freedom and democracy. We may argue over the issues until the next Flood or until a nuclear war. We are promised, however, that even in the "next world," we will be sent to one of two very different places – to Heaven or to Hell. There may be some doubt, though, which one is for capitalists and which one is for communists.

May I quote the appeal of Mr. Norman Smith to the members of The Empire Club of Canada on March 5, 1956, after he had travelled to the USSR with Lester B. Pearson. He urged you to be zealous in your efforts to know and to understand my country, to clear away the barriers of darkness and of mutual mistrust, and to base your hopeful policies upon facts rather than upon fancies and fears. Over twenty-five years have passed since that speech, but the idols continue to live. The authors of a recent article in *Foreign Affairs*, for example, who expressed some quite realistic views on East-West relations, noted that the present ideological crusade against communism is guided less by a comprehensive and long-range policy than by a general ideological orientation (S. Bialer and J. Afferica, "Reagan and Russia," *Foreign Affairs*, Winter 1982/1983, p. 249).

Yet mankind is maturing even within the lifespan of one generation, however short it is. We recall in our country, for example, that during the Civil War in Russia, Western newspapers wrote that the Reds were printing their decrees on the skins of arrested businessmen, that they were cutting bourgeoisie into steaks which were then fed to political opponents, that wealthy people soaked in kerosene were burnt to light up the streets. These things are not published today, yet until now there appeared some concoctions, which were essentially similar to the "steaks from businessmen."

We may like or dislike each other, but it is much more reasonable – and far, far safer – to resolve our differences at the table of negotiations. We are not yet in a position to split our beautiful Earth into two living planets. And this means that we have to live on one planet, to live together – there is no alternative.

There is yet another idol that is popular today – "military superiority." Here again, people do not seek to find out what it means, but blindly accept it. In effect, there is nothing but deception behind this idol. The gist of the matter is that the notion of "military superiority" in the nuclear age is simply vulgar and primitive, for who will care about which side was more militarily superior, if our planet is split into two or four parts, or if a person is killed fourteen or forty times? By the way, isn't it significant that many generals and admirals, retired from NATO headquarters, are unanimous in their statements that allegations of "Soviet military superiority" fall into the category of contemporary mythology?

There is one more deceptive myth hanging over our generation. Its name is "national security." It radiates cold danger. But the notion itself is amorphous, even anonymous, I'd say. It appeals to transcendental conscience, not to intellect, to faith rather than cognition. Certainly, as long as there are states, there will be the need for protecting sovereignty. The unfortunate thing is that certain vested interests make use of the notion of "national security" to cover up the primitive arms race, which is at the core of the threat to the security of the whole world, to say nothing of individual countries. Besides, the arms race means senseless squandering of Earth's natural resources and complications of the problems of poverty, which will inevitably result in new social upheavals.

The present climate of confrontation is extremely dangerous. It is fraught with the probabilities of a general explosion. Its danger also is that it facilitates the rise of local conflicts which bear the seeds of potential world wars. Today's regional conflict is no longer a local outburst of passions and conflicting interests, as was the case in the last century. The Canada-United States War of 1812, for example, had no way of escalating into a worldwide one.

Local conflicts today give rise to such special concepts as "escalation theory," and "crisis management." Fortunately, the Korean War, the Taiwan crisis, the Caribbean crisis of 1962, the war in Indochina, Middle East wars, and the aggression in Lebanon did not escalate to general conflicts. But it was more a matter of chance than of pattern. Just imagine for a minute what could be the outcome if the level of involvement of the USSR in Korea, in Indochina, or in Lebanon equalled that of another nuclear power. So far, the mechanism for unleasing a general war has not been triggered, but can we vouch that the next local conflict will not push the world to the "unthinkable." We are all aware that even after Hiroshima and Nagasaki, there are plans for nuclear warfare. Armed forces are being trained, operational manuals readied, and nuclear weapons tested under geographical conditions similar to those in my country.

All of this is reality. And only one thing works in opposition – common sense, which is in itself very fragile, unreliable, and tenuous at best. In no way can it be viewed as a universal panacea. Common sense may yield to sentiments of greatness, superiority, hatred, bias, fear, and temptation to make use of illusory technological advantages.

A term appeared here in the West which, I believe, was by no means accidental – the so-called "insane states." It must be remembered that history has witnessed, on many occasions, access to power of rulers or groupings primarily concerned with their own personalities, with personal survival, glory, or popularity, who subordinated all their policies, both external and internal, to their egocentric principles. And this poses a new question – what will be the consequence of nuclear weapons falling into the hands of rulers deprived of common sense?

Moreover, there is the real possibility of an accidental nuclear conflict. The strategy of "launch-on-warning" has been adopted, the strategy based on the computer identification of a flying object similar to a missile. It is reported that in one six-months' period, there were more than one hundred false alarms resulting from computer malfunctions. Ballistic missiles were put on alert, aircraft were airborne. Today, while strategic armaments of both sides are separated by oceans, the military have about thirty minutes for verification and decision-making. When Pershing IIs are deployed in Europe, there will be no time for that. The fate of mankind may well be in the hands of a non-commissioned officer.

We are living in a world of paradoxes. We, the people of the twentieth century, possess the versatile and accumulated experience of human history, advanced scientific intellect. We are able to conquer space, to resolve in real terms the problems of famine and disease, to prolong human life. We are gifted with a challenging path of development.

At the same time, however advanced we are, we cannot renounce the obsolete and inhuman methods of dealing with problems. Some leaders still think in terms of war, destruction, punishment, the juggernaut of the nuclear arms race. We are bound by stereotyped idols in our assessments of others. Traditions of the past generations are often heavy weights on our feet, shackling the living generation.

It is not an easy task to overcome the desire to submit to a stereotyped conclusion, to cast doubts on obsolete customs in the relationships of peoples and states. It is not an easy task, but it is a feasible one. In the opinion of Nobel prize winner Nikolai Semenov, all of us are, following guidelines of nature, in a stage equivalent to early childhood. When humanity matures, it will find solutions to the most difficult problems.

But it is important, it is crucial, not to commit in early childhood such an irreparable mistake as a nuclear war.

I am sure I do not have to elaborate to this respected audience that the lives of all peoples are closely linked and interdependent. Our world is getting smaller. It takes only hours today to travel from one end of the world to another, it takes only seconds to telex messages across the globe. It also takes only minutes for nuclear missiles to obliterate continents.

Nobody can find himself today in the position of Robinson Crusoe and his man Friday. The world is interconnected by millions of links – trade, economic, political, and social. Political crises generate economic consequences, economic dislocations breed political instability. There is an increase in the number of problems that can be resolved only through joint efforts. Yet we, the children of the twentieth century, continue to think in categories like "punishment," "embargo," and "boycott." It is quite clear today that any attempts to "punish" another country through trade and sanctions would not only disrupt the normal business flow in the entire world, but would also generate more hostility and suspicion. Can you provide, for example, any plausible economic explanation for intents to punish the Soviet Union in economic terms, when even the recent official report to Congress called it "the most self-reliant industrialized nation in the world?"

You know that this is not the first attempt to humiliate us, to force us on our knees economically and politically. We have survived interventions, boycotts, diplomatic non-recognitions, embargoes, punishments, threats, even sanitary cordons. All of this took place in the past. Isn't it time to put an end to this stubbornness, isn't human energy worthy of better use?

The foes of the famous French playwright, Beaumarchais, warned him before the première of *The Marriage of Figaro* that it would be a failure. "Yes, it will," replied actress Sophie Arnould, "but two hundred times in a row."

We are "failing" for our sixty-sixth year in a row. The time is right to realize that the hopes of our failure are but illusions.

It's high time to switch to normal co-operation. We all live on one planet. It is our Earth, where our ancestors lived and died, grieved and rejoiced, where our wives give birth to our children, and our children will give birth to our grandchildren. We have everything here for people to live happy and spiritually contented lives, however short. But the necessary conditions for this are peace, mutual understanding, good-neighbourliness, and good will. Weapons produce profits, but do not generate wealth for mankind; wars give rise to some heroes, but result in tragedies for millions; war propaganda provides good fodder for politicians and journalists, but is poisoning people with hatred.

The Soviet Union has unilaterally volunteered not to be the first to use nuclear arms. We have expressed our readiness for a mutual freeze of strategic arsenals. We have offered to free the European continent from medium-range and tactical nuclear arms, or to limit at least medium-range missiles in Europe to the number presently maintained by NATO countries and an equal quantity on our side. The Soviet Union has formally called for working out a treaty on the complete and universal prohibition of nuclear weapons' tests as soon as possible, for speeding up the elaboration of an international convention on banning and eliminating chemical weapons, and for starting to work out a convention on banning neutron weapons, on banning the deployment of any kind of weapons in outer space, and on banning radiological weapons.

What do we hear in response? "No," "no way," "nothing new," "not interested." Frankly speaking, the persistent "no" is becoming rather frustrating. Not so long ago the Soviet leader, Yuri Andropov, suggested cutting the number of strategic armaments of both the USA and the USSR by 25 per cent. "Not enough," replied the authors of the famous "peacekeeper" missiles joke. Well, let us destroy nuclear weapons altogether – that would be a real "zero option." "Not realistic," we are told. The Warsaw Treaty states urged to conclude a treaty on the mutual non-use of force. "That will depend on your behaviour," came the arrogant reprimand from those who assumed the unbearable burden of being the supervisors of international behaviour. The socialist countries came up with a proposal to disband both military alliances. "A propaganda ploy," immediately retaliated NATO headquarters. We do not claim, of course, to be the one and only source of constructive proposals in the disasmament field. We are ready to consider and negotiate on any proposals aimed at preventing nuclear war. But frankly, the negative clichés and the artificial suspicions with which all that we offer is met are particularly distressing.

Doesn't it remind you of a significant incident from the political history of the last century? Over many years, there had been rivalry between the head of the French diplomatic service, Talleyrand, and the political leader of the Austrian Empire, Prince von Metternich. Late one night, a servant woke up von Metternich to tell him of Talleyrand's death. Historians tell us that the news caught von Metternich completely by surprise. He was panic-stricken and kept pacing the floor of his bedroom, half-dressed, muttering to himself, "What is the old fox up to this time?"

I think some people in the West suffer from a von Metternich syndrome, which precludes them from taking the only political course which is sound in our times – the policy of détente, which embodies today the humanism of the twentieth century for it corresponds to the vital interests of all mankind.

Despite the fact that we in the Soviet Union deeply distrust those who advocate consigning our country to the ash heaps of history, and we cannot, naturally, put up with the international behaviour of our main opponent, we are still convinced that disarmament accords are necessary. Just yesterday our leader, Yuri Andropov, reiterated our proposal that both sides cut to equal levels the number of aircraft capable of medium-range nuclear weapon delivery and missiles. The Soviet Union is prepared to sign such an agreement on the basis of complete parity, but is the other side?

Unfortunately, and I have to state this with complete authority, there is no progress whatsoever at the year-old Geneva disarmament talks. Soothing statements on the subject are merely a ploy of those who do not seek disarmament, but who doom these talks to failure.

The world today is not a theatre of one or several actors and billions of spectators. Nuclear war is not an episode from a political show. We are all responsible for our future. May I be allowed to remark that, in my opinion, the danger of the world's destruction, which is creeping up on us like a poisonous snake, is not regarded as a real one here in the West. And it certainly is real. It will be unforgivable, therefore, if the opportunities to reach agreement related to our proposals are missed.

Ladies and gentlemen, the world is presently at a crossroads. Tomorrow may never come. In the words of John Galbraith, "all ashes are very similar," whether they are from different systems, from the forces of Good or Evil, from believers or atheists, soldiers or children, geniuses or plain workers and farmers. We are representatives of different political systems, different civilizations, but we are linked by life itself – we must live together or die together.

Let us put a question to ourselves – are we, the people of the Earth, tired of living? Have we exhausted our life span? No! We are not misanthropes in the Soviet Union, we believe in the viability of the human race. But we are in favour of establishing such a world condition that the state of peace would be the result of a comprehensive agreement of the peoples of our planet rather than a lucky break. In conclusion, I would like to thank you sincerely for your invitation to speak from this widely respected platform which has the international prestige of "the best talk in town," and to share with you some of my concerns.

The appreciation of the audience was expressed by the Honourable Barnett J. Danson, a Director of The Empire Club of Canada.

FEBRUARY 10, 1983

Cleaning Up Our Act (The Income Tax Act, That Is)

AN ADDRESS BY J. Lyman MacInnis, F.C.A.
PRESIDENT,
INSTITUTE OF
CHARTERED ACCOUNTANTS
OF ONTARIO

CHAIRMAN The President,
Henry J. Stalder

MR. STALDER:

Distinguished members and guests, ladies and gentlemen: Vespasian, father of the Flavian Dynasty in ancient Rome, built the Colosseum, the arena for the great games, where the plebs would get *panem et circenses*, bread and games. And just as in our present time, he had problems in gathering the funds to build it. The Canadian analogy would be the Olympic Stadium in Montreal. To get out of his dilemma, Vespasian had to scratch for taxes; he levied taxes on the street toilets. (Even today, these are called *les Vespasiennes* in France.) From good old Vespasian stems also the proverb *non olet* – it does not smell. The money, that is. Since all this "giving to Caesar what is due to Caesar and giving to the Lord what is due to Him" is such a delicate matter, we have sought the most capable of the accountants to report on whence it cometh and where it goeth.

Lyman MacInnis is a member or chairman of boards, committees, councils, faculties, and foundations, which are involved in tax, appeals, discipline, PR, planning, auditing, editing, and professional conduct. His community involvement ranges from St. Joseph's to Our Lady of Perpetual Help.

He has received awards and is a published writer. He is also an accomplished public speaker, having been heard on radio and TV, speaking mostly on money – that is, how to make and keep it – or on taxes – that is, how to get rid of it voluntarily. Ladies and gentlemen, please welcome our guest of honour, Lyman MacInnis, F.C.A., Partner of Touche Ross & Co. in Toronto and President of the Institute of Chartered Accountants of Ontario.

MR. MACINNIS:

Mr. Chairman, ladies and gentlemen: The Canadian Income Tax Act is an unmitigated mess! Now, before getting into examples to back up this claim, I'm going to mention three facts that we must recognize in order to keep my comments in perspective.

First of all, we in Canada are subject to an income tax system that's based, in the first instance, on self-assessment. What that means is that it is up to you and me, as individuals, to determine how much income tax we owe, and when and how it must be paid. It is not like sales tax, where the rate is applied to a fixed amount (such as the price of goods) and included on an invoice, cash register tape, or restaurant slip. Nor is income tax like our property taxes, which the local government calculates for us and then sends us a bill telling us how much we owe. No. When it comes to income tax, as I have said, our system is such that the responsibility rests with you and me to determine how much we owe, and when and how it must be paid.

Secondly, for decades it's been a well-established rule of jurisprudence that income tax laws be written in clear, unmistakable language. This is so because it *is* a self-assessing system. The most quoted statement by a court in this respect says: "It is not enough to attain a degree of precision which a person reading in good faith can understand, but it is necessary to attain, if possible, a degree of precision which a person reading in bad faith cannot *misunderstand*. It is all the better if he cannot *pretend* to misunderstand it."

Thirdly, the cost of getting professional help in the preparation of a tax return, for the vast majority of Canadians, is not deductible for income tax purposes! To be able to deduct the cost of getting your tax return prepared, you either have to have business income or a substantial volume of investment income. So, the very people who most need help – the wage earner or the taxpayer with, perhaps, one T5 for interest or a bit of dividend income – cannot get a deduction.

O.K., so we've established the context. It's a fundamental of tax law that taxpayers should be able to understand the Act. Under Canadian law, it's *our* responsibility to correctly figure out how much tax we owe, and when and how it is to be paid. And, for most Canadian taxpayers, the cost of getting help with their tax returns is not deductible for tax purposes.

I started out by saying the Income Tax Act is an unmitigated mess. The reason I say that is because it is incomprehensible! Yet, you and I and every other taxpayer in this country are required by law to understand it. And if we don't, the cost of getting help is probably not deductible. And if we make mistakes on our returns, we may end up with the penalty of paying interest.

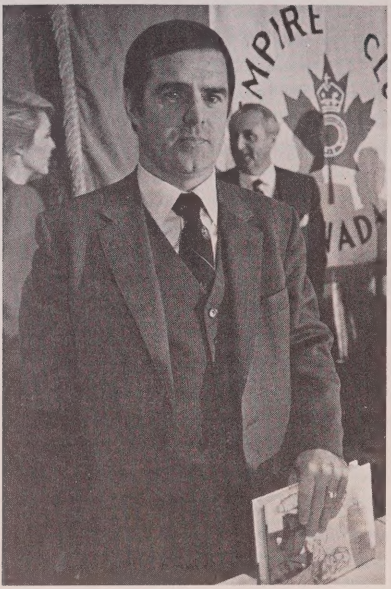
Let's look at some examples of this incomprehensibility. Now, I'm *not* going to pick out sections of the Act that deal with rare corporate reorganizations or the like. No! I'm going to deal with ordinary, everyday applications – things that affect ordinary, individual taxpayers.

Let's start with section 56(1)(s). As a matter of fact, if I want to be completely correct, in the Income Tax Act that's not a section at all. It's a paragraph. If it were just plain old 56 – that would be a section. If it were 56(1), that would be a subsection. But, because it's 56(1)(s), that makes it a "paragraph" under the scheme of the Income Tax Act. And you have to know that in order to find your way through this mess.

As well, before I can even quote you what paragraph 56(1)(s) says, you have to remember that section 56 itself begins with the words: "Without restricting the generality of section 3, there shall be included in computing the income of a taxpayer for a taxation year..." and you find *that* about five pages earlier than where paragraph 56(1)(s) begins. So, the whole quotation is:

> Without restricting the generality of section 3, there shall be included in computing the income of a taxpayer for a taxation year, the amount of any grant received in the year under a prescribed program of the Government of Canada relating to home insulation or energy conversion by the taxpayer, other than a married taxpayer who resided with his spouse at the time the grant was received and whose income for the year is less than his spouse's income for the year, or the spouse of the taxpayer with whom he resided at the time the grant was received, if the spouse's income for the year is less than the taxpayer's income for the year to the extent that the amount is not required by paragraph 12(1)(u) to be included in computing his or his spouse's income for the year or a subsequent year.

Do you know what that says? That says that if you receive a home insulation or energy conversion grant you have to include it in income, unless your spouse has a higher income than you. If that is the case, then he or she has to report it. Now, can you imagine Aunt Harriet figuring that one out for herself? Yet, that's exactly the type of person who, under our law, *has* to figure that out for herself or himself or else incur a professional fee that is, in all probability, not deductible. It's even worse when you consider that you and I paid somebody to write that convoluted garbage. And, ladies and gentlemen, I assure you, that wording is typical. I did not, as I mentioned, pick out an obscure, limited-application section. That's a section that applies to everyday working people, widows, and orphans.



J. Lyman MacInnis,
President, Institute of
Chartered Accountants
of Ontario

It may come as a surprise to some of you that even though it's the Income Tax Act we're dealing with here, nowhere in it is "income" defined. It just sort of seeps in in various places, like perspiration seeps through pores in the skin.

On the other hand, when you look at something that *is* defined in the Act, perhaps we're lucky that no attempt has been made to define "income."

Let's take another example. And again, ladies and gentlemen, I'm going to select an item that affects millions of individual taxpayers at all levels of income-earning capacity and wealth – capital gains. It would be logical, if you're interested in finding out whether or not you've had a capital gain, to start by looking in the index. Look under "Capital Gains" in the index of, say, the CCH version of the Income

Tax Act, and you will find, eventually, and I say eventually because there are about twenty subheadings before you get to "defined," you will find eventually that there are three sections of the Act listed after the word "defined" under the general heading of "Capital Gains."

Again, let us assume you are a logical person, so you start with the first reference that is listed there. It's section 39. When you find section 39, you will also find that the fun is just beginning. Section 39 begins with a sentence that has 774 words, 28 commas, and 2 semicolons. Lincoln's entire Gettysburg Address had only 267 words in it! Section 39 has 7 subsections. It refers you to ten other sections of the Act, which in turn refer you to another forty sections. Section 39 also refers to a completely different law called "The Cultural Property Export and Import Act." And I'll bet you all have a copy of *that* sitting on your coffee table!

So where are we? In trying to find out what a capital gain is, we've already had to look at about fifty different sections of the Income Tax Act, and another completely different law. And if you get that far, the reality then hits you that section 39 only deals with the word "capital." To find a definition of the word "gain," you have to look at section 40. I'll spare us all that agony, because section 40 makes section 39 look easy.

You know, there's an old saying that an infinite number of monkeys using an infinite number of typewriters would eventually type all the great works. I think they've completed their first one. It's called the Canadian Income Tax Act.

And it keeps getting worse. Our entire Income Tax Act was revamped back in 1972. That's really not that long ago, and that so-called "reform" of the Act was supposed to give us a well-thought-out, simpler tax system. Well, since 1972, there have been more than thirty major amending acts. There were 350 changes in 1980–81 alone. Two months ago, Finance Minister Marc Lalonde introduced the latest amending act – it had 133 amendments in it, most of them even more incomprehensible than what's in the existing Act!

Let's take a look at an example of one of Lalonde's amendments, again, not some esoteric, corporate reorganization situation, but a provision that affects many, many individual taxpayers. This is only one of the proposed amendments to the section dealing with the taxable benefits arising from the use of a company car. I quote:

> For the purposes of paragraph (1)(e) an amount that is a reasonable standby charge for the automobile for the aggregate number of days in a taxation year during which it was made available by an employer, or by a person related to the employer shall be deemed to be the amount equal to the product obtained when (a) where the employer or the person related to the employer owned the automobile at any time of the year, an amount in respect of its cost to the employer equal to the percentage thereof obtained when 2% is multiplied by the quotient obtained when such of the aggregate number of days hereinbefore referred to as were days during which the employer or the person related to the employer owned the automobile is divided by 30 (except that if the quotient so obtained is not a full number and exceeds one it shall be taken to the nearest full number or, if there is no nearest full number, then to the full number next below it), or . . .

And it goes on for *forty-nine* more lines – which neither you nor I could stand right now. And that's just *one* of the amendments affecting taxable benefits from using a company car. About the only thing that amendment does for me is to convince me that the TTC ,may, indeed, be the better way.

And all of this, ladies and gentlemen, is in a law of our land under which we are presumed guilty until we prove our innocence. Yes, that's right! All Revenue Canada has to do is assess us and it's up to you and me to prove they are wrong. They have no obligation – except in very limited circumstances – to prove they are right! And we have that hanging over us in an Act that even tax professionals admit they have difficulty understanding.

Where are the civil libertarians when you really need them? I guess they're too busy trying to keep drunk drivers on the road and illegal immigrants in the country to be concerned about something as fundamental as the Income Tax Act.

But you know, ladies and gentlemen, there is a larger issue here than the fact that 99.99 per cent of Canadians can't possibly understand the law which requires them to pay more tax than any other law. The greater tragedy is this. There are 284 men and women sitting in the House of Commons in Ottawa who continue to enact this kind of legislation. Don't try to tell me that these people understand what they're passing. My guess is there aren't more than a handful who have any idea what the real effect is of the income tax laws they enact. We obviously had one Minister of Finance who didn't know.

This Act has simply got to be cleaned up! The wasted manpower and dollars spent in trying to understand it and comply with it – forget the waste in trying to get around it – the wasted productive time and money spent in simply trying to comply with it is enormous.

So, what can we do about it? Well, here's one suggestion I think is worth considering. Forget about new tax systems, such as a flat-rate tax – although I'm strongly in favour of that concept – forget about whole new systems for now and do these two things:

1) put a hold on tax changes for a period of eighteen months to two years, so that we can get caught up with what's been happening to us over the last few years; and
2) rewrite the existing Act so that it can be understood by human beings with average intelligence.

Now, who can accomplish this? Well, politicians can. So, now the problem becomes: how do we get them to act? Well, one thing we know for sure about politicians is that they react to noise. If enough of us keep bugging our MPs about it, that might be a good first step. At the very least, let *them* know, that *we* know, that *they're* passing laws *they* don't understand.

The appreciation of the audience was expressed by Douglas L. Derry, First Vice-President of The Empire Club of Canada.

FEBRUARY 17, 1983

Lessons from Current Miseries

AN ADDRESS BY Michael A. Walker,
DIRECTOR, THE FRASER INSTITUTE

CHAIRMAN The President,
Henry J. Stalder

MR. STALDER:

Distinguished members and guests, ladies and gentlemen: The Fraser Institute is a philosophical centre with economic objectives. This Institute is geared toward competitive markets but searches for the most desirable mixture between individual initiative and government intervention. It was founded in 1974. Since its inception, the Institute has greatly contributed to a popularization of economic knowledge at large. It has enabled consumers and the consumers' representatives in legislature to gain a better understanding of complex matters, thus enabling them to take an intelligent and well-informed stand. No wonder that this organization has had many best sellers amongst its publications. The lion's share of merit goes to our guest of honour who keeps the machine going.

Our guest of honour, Dr. Michael Walker, is a native of Newfoundland. He obtained his Bachelor of Arts in 1966 from St. Francis Xavier University, his M.A. in 1967 and his PH.D. in 1969 from the University of Western Ontario, where he specialized in Mathematical Economics, Econometrics, and Monetary Theory.

He joined the Bank of Canada in 1969 and when he left in 1973, he became head of the Special Studies and Monetary Policy Group which undertook research in a variety of areas related to the conduct of monetary policy.

During 1973 and 1974, Dr. Walker was Econometric Model Consultant to the policy branches of the federal Department of Finance in Ottawa. He taught Statistics and Monetary Economics at Carleton University and the University of Western Ontario. He joined the Fraser Institute in 1974 as a founding director and as director, he has written, edited, and contributed to over a dozen books. As well, he has written numerous articles for professional and technical journals.

He is a popular commentator on current affairs in the print and electronic media, a regular columnist in *The Financial Post*, and a frequent speaker to a wide variety of groups in Canada and the United States. Ladies and gentlemen, please welcome our guest of honour, Dr. Michael Walker.

DR. WALKER:

Mr. Chairman, ladies and gentlemen: I am very grateful to have the opportunity to speak to you today and, with some humility, join the ranks of the illustrious Canadians who have spoken to you in the past. And I must say I was very tempted to seize upon this occasion to set out my platform for economic recovery and to add to the growing list which has received public attention in the last several months, my nostrums. With some extreme difficulty, however, I have overcome that initial impulse. Instead, I will spend the few minutes I have talking with you about some of the lessons we should learn from our recent economic experience. The reason for pursuing this tack is my belief that unless we firmly understand the force of events which has led us to the current pass, we are very unlikely to seize the present opportunity to rebuild a more certain and more prosperous future. It is the case, unfortunately, that many of the suggestions which have recently been made for solving current problems bear a distressing similarity to those which, in application, have been responsible for our current miseries.

First of all, it is interesting to wonder how, with the perspective of history, we will probably view our current predicament.

While it will be viewed as a period of social distress, of course, it is my overall assessment that economic historians will study and record the first two years of the 1980s as an unexpected and unique episode in the history of mankind's economic activities. The reason is that this period marks one of the very few occasions in history when major industrialized countries have pulled away from the brink of a hyperinflationary catastrophe.

You have all heard, on many occasions, a characterization of Western democracy which held out little hope that governments would have the political will to take the anti-inflationary medicine. Politicians find it easier and politically more expedient to expand the money supply to create the illusion of prosperity than to lean against the political pressures and pursue a policy of stable monetary growth. Any politician who might have considered halting the inflationary spiral in the recent past has been quickly assured that the inflationary course was in society's best interests because it created jobs – kept the unemployment rate down.

The strongly held view that politicians would lack the support for a counter-inflationary policy was reflected in the prices people have been willing to pay for gold, real estate, and other inflationary hedges. The behaviour of speculators continually rewarded by their pessimistic, cynical outlook gave further credence to the widespread belief that inflation would accelerate indefinitely. And so it was that by 1980, the Western world was in the grip of what has been called "inflationary psychosis."

Many of those who forecast a continuation of this inflationary process did not understand the power of ideas; did not realize that if political leaders truly believed that an escalation of inflation led to more unemployment and not less and that if they could rally a political constituency around them, then they might well bring about a fundamental change in economic policy.

There may be many aspects of the policy which Ronald Reagan brought to the United States with which we could disagree but about one there can be no disagreement. That is his determination to eradicate inflation from the American economy. The same has been true to some extent of Margaret Thatcher in the United Kingdom.

You know, it is often said that this war against inflation is one in which the casualties are our own people – the unemployed. But is that the real cause? Is it the war on inflation or inflation itself which has caused the joblessness of those who left more traditional employment in the 1970s to sell real estate or to speculate in commodities, open art shops, sell old stamps, coins, and precious metals? Was it deflation or the deadly euphoria of an inflationary bubble which caused the over-expansion of many of our industries and the subsequent inevitable contraction? My own view is that it is inflation which lies at the core of our difficulties and not our belated attempt to control it.

Of course, the victory against inflation was important not only in its own right but also because of the reduction in interest rates which it made possible. It is good to remind ourselves that during early 1982, most observers were anticipating that interest rates would increase in the fall of 1982 rather than decrease, as they actually did. Our forecast as early as the fall of 1981 for a decline in interest rates in the fall of 1982 was based on our perception that inflation rates would continue to fall and that this would inevitably bring about a reduction in interest rates. Some of you may have misgivings about the merits of a disinflationary policy because of the evident pain which it produces. However, if you relate a reescalation of inflation with whatever benefits it might have conferred in the short term to the certain escalation of interest rates to above the 20 per cent level, I am sure you will agree that any benefits from re-inflation would indeed have been short-lived.

So, the first lesson which we must learn from recent experience is that inflation can be beaten but that it requires enormous political courage and a more circumspect view of its deleterious side effects. You may be wondering why I am making such a point of this. The reason is that while we can learn from recent experience that inflation can be beaten, that it is purely and simply a reflection of inappropriate monetary policy, this fact is not widely understood. For example, you have had a steady stream of speakers over the course of the last ten years who have told you that inflation is a social disease. You have been told that inflation is a phenomenon of uncertain and inscrutable lineage. We must now recognize that this view of the world is simply incorrect.

Inflation is only a social disease in the sense that if society is mesmerized by a bad idea, then society is capable of inflicting great injury upon itself and this is no less true in the area of economics than it is in other areas. But our current experience should forever banish from public discourse the notion, given widespread support by politicians, that inflation is something thrust upon the economy by external events or caused by the greedy and antisocial behaviour of citizens. Inflation is a disease of the monetary system and it is a disease that only governments can cause – and that only governments can cure.

Of course, the celebration of our victory against inflation is dulled and dampened by the persistence of a high level of unemployment. It is well to remind ourselves, however, that this high level of unemployment is not only due to disinflation. If there had been no disinflation, we would still have had to contend with the normal economic adjustments associated with the passage of the baby boom – a decline in sales of automobiles and housing units. Even if there had been no disinflation, we would still have had to contend with the competition from foreign producers which has rendered much of the steel industry, in the United States in particular, obsolete. The overbuilding of light industrial and commercial establishments in the United States and the consequent decline in their construction would still have produced a reduction in the demand for minerals such as copper and zinc.

Dr. Michael A. Walker,
Director, Fraser Institute

It is also useful to remind ourselves that some of the unemployment that we are experiencing at the moment has not been caused by disinflation or by secular structural trends but rather by conscious acts of Parliament. Estimates suggest that even if the economy were operating at so-called full employment, as much as 7 per cent of the current unemployment rate would remain because of the economic framework established by our various legislatures across the country, including the generous levels of unemployment insurance and the high levels of minimum wages.

Another clear lesson from our recent experience is the importance of government maintaining a certain fiscal capacity. As finance minister Lalonde approaches the construction of his 1983–84 budget, perhaps one of the most critical in peacetime history, he is hamstrung at every turn. The deficit, already at $10 billion before the onslaught of the major force of the recession, has grown to unprecedented, almost unmentionable size, and it is still growing. In consequence, the government has little, if any, possibility of increasing social welfare spending at a time when Canadians have every right to expect support from their government. In effect, so many people are using the social welfare safety net as a hammock that there is no room left for those who really need it, and discretionary expenditure and programs have expanded to the point where emergency spending is not possible.

And so the paradoxical and sobering message of our current budgetary dilemma is that whether one believes in the efficacy of government spending or not, one should, during normal times, be in favour of a balanced budget. If you do not believe that government spending is beneficial then you should be in favour of a balanced budget during normal times because a balanced budget is meritorious in its own right. If you believe in the efficaciousness of government spending then you should believe in balanced budgets because that mode of behaviour provides government with a fiscal reserve to activate during periods of economic downturn. Thus, we should adopt a balanced budget principle for future conduct not out of any fiscal religiosity or budgetary rigidity but rather as a means of preserving fiscal flexibility when we need it.

In the same way that the current recession has exposed the impotence of government as a lever out of our current difficulties, it has also served to illustrate the true character of some of our societal institutions. One institution which has emerged with a different image is compulsory union membership. Some years ago, Lady Barbara Wootton, a member of the British House of Lords and a prominent labour thinker, sought to set people's thinking straight on the nature of unions. Wootton courageously asserted that, "It is the business of a union to be antisocial; the members would have a just grievance if their officials and committees ceased to put sectional interests first."

I think that the prevailing view of the union movement in Canada has been quite different.There has been a tendency to import into Canada a class mythology about the role of unions and unions, therefore, are depicted and generally conceived of as a bulwark against the interests of the capitalist class. Working people generally have tended to identify with the purposes and aims of the union movement and, as a consequence, provincial legislators, following their own political interests, have enacted legislation and created extra parliamentary tribunals intended to support this particular institution in our society.

During normal times, it was easy for many of us to forget the essentially self-serving nature of unions. As long as the total employment in the country grew faster than the total labour force and those who wanted work could fairly readily find it, there was no great interest or incentive to focus on the structural impact of the union movement. However, distresses of declining employment and deteriorating employment prospects have revealed the sectional nature of the union movement in a very blunt and unattractive way.

Not only do unions represent the sectional interests of their members, they represent those who are employed at the expense of those who are unemployed. Daily, we are provided with evidence that given the choice between negotiating a wage reduction and a reduction in the number of jobs, unions have selected the latter. Therefore, not only have they driven a wedge between the various groups in our society, but they also are driving a wedge between the employed and unemployed members of their own associations.

Of course, it is easy to understand why union leaders behave in this way. As more than one wag has remarked, you don't need a union to negotiate a wage cut. The lesson for Canadians from our current experience is that union membership may be a liability when the icy finger of recession reaches out to your workplace. The rigidities imposed by unforgiving collective agreements in conjunction with the political requirements of union leaders who face re-election by the majority of their members has, in many instances, meant that those lowest on the seniority ladder have fared less well than they would have without the supposedly benign interposition of the union.

Nowhere is the sectional and special interest nature of unionism more evident than in the public sectors across this country. In almost every province, as provincial governments have attempted to reduce their expenditures in keeping with the reduced ability of the citizenry to pay for social programs and other expenditures, it has been the public sector unions which have led the campaign against such economy measures – despite, in many instances, the manifest support for them on the part of the general public and the obvious inability of taxpayers to continue to bear these burdens.

But the most important lesson which must be learned about the relative roles of capital and labour is that these are not descriptions of class in our society but rather of interests which we all share. We are all labourers in the sense that we have an immediate goal to satisfy current needs and wants. We are all capitalists in the sense that we must concern ourselves about our future ability to earn enough income to do so. And, to some extent, the economic problem is one of a constant struggle to maintain a balance between the ability to satisfy current wants and our future ability to do so.

Of course, recognizing the legitimacy of both of these aspirations does not resolve the tension between them and there will always be a conflict between our interests as labourers and our interests as capitalists. But a recognition of the twofold requirements would change our behaviour and our economic performance in a most incredible way.

You know, it is often remarked how efficient Japanese workers are. How often we are told about the thousands of suggestions which management receives from workers about the way in which the workplace can be made more efficient and more productive! The reason, of course, is that Japanese workers have been spared the infusion of the idea of the class struggle and they recognize the absolute necessity of being able to compete on the most effective basis possible. In other words, they see their long-term interests as workers as being dependent upon the survival of the firm and its capital.

The lesson about unionism which we must glean from present difficulties is that the tough-minded labour leaders who make their reputation on the basis of substantial wage gains must be replaced by the union leaders who, out of concern for the true interests of their members, try to ensure that Canadian enterprises are the toughest competitors in world markets.

One of the most difficult lessons that we must derive from our current experience concerns industrial strategy and that is something I am sure many of you will find surprising. Certainly, my opinion is diametrically opposed to those you often hear expressed. The usual view is that Canada's current economic difficulties reflect the fact that Canada is so dependent upon resource development. In consequence, as goes the world demand for raw materials, so will go the Canadian economy. It is often argued that the way out of this problem is to put more focus on manufacturing industries and, in particular, upon high-technology development, as this would make the Canadian economy more recession-proof.

My own view is that this is a misperception of the problem which we face and that the proposed solution will not prove, therefore, to be effective. The problem we face in Canada is not that our economic welfare is derived from the extraction of raw resources but rather that our economic performance is dependent upon the export of these materials into world markets. Notwithstanding our endowment of wealth and our high standard of living, Canada is a small country in terms of its population. In consequence, Canada is doomed to be forever dependent on foreign markets for much of its economic welfare. In the context of current technology, there simply aren't enough people within our country to warrant the kind of scale of manufacturing activity which would enable us to be more independent of world affairs. Our proximity to and dependence upon the United States will always mean, regardless of what mix of products we are exporting, that the demand for our products will be influenced heavily by the movements of aggregate demand in the United States.

Of course, it is true that some products at the moment are in higher demand than raw materials and if we had had the good fortune and foresight to be involved in the production of those products at the moment, we would be suffering relatively less from the world recession than we are. However, there is no class of products which is inherently recession-proof. It is simply a matter of being lucky enough to have produced a product which happens to be in demand as the recession is under way.

Would we be any better prepared to deal with the recession at the moment if we had been more heavily engaged, for example, in the production of producer-durable goods, or jet airliners, or nuclear reactors? I find that highly unlikely in view of the fact that the industries producing those goods in the United States are currently operating in many instances at only half their rated capacity.

Recognizing our inherent long-term dependence as traders to earn our standard of living must eventually bring us to make decisions in a different way than we have in the past. We must be much more progressive in our pursuit of a true free-trading policy and we must begin to tailor our domestic policies and our attitudes toward industry accordingly. And those (and there are many of them these days) who attempt to seduce you by referring to the Japanese model of industrial development, may forget to tell you that Japan is considerably less dependent on foreign trade than is Canada. Trade accounts for less than 14 per cent of Japan's Gross National Product while it is over 25 per cent of Canada's. Moreover, Japan has within its own domestic boundaries a world-scale market for its products which means that it can, in effect, develop technologies and products within its own markets before advancing with them into world markets.

To some considerable degree, the pursuit of a national industrial strategy which involves the enticement of labour and capital into manufacturing and high technology is a façade for a cynical policy of regional redistribution of wealth. Even if this underlying program of redistribution had no effect on Canada's ability to compete in world markets, it would be regrettable. In fact, the whole orientation of our national policies is hampering us at every turn – and, most often, the handicaps arise from the unanticipated consequence of well-meaning policy.

Let me provide a few examples of what I mean. At the moment, Canada's forestry industry is in great danger. The International Trade Administration's deliberations in the United States hang as a sword of Damocles over the industry as it discusses whether or not to impose a countervailing duty on Canada's exports of lumber to the United States.The criticalness of this decision is, I'm afraid, not well known to Canadians. But the fact of the matter is that the forest industry is one of Canada's leading employers and is singularly dependent upon foreign markets, particularly those in the United States.

People in the industry in Canada are justifiably concerned because there is, in fact, some evidence upon which to base a countervailing duty. The International Trade Administration considers whether or not foreign suppliers are subsidized in their activities. If so, then the statutes in the United States provide that a countervailing duty shall be imposed; and, the fact of the matter is that Canada's forest industry, to some limited degree, has been subsidized. It has been subsidized by the Department of Regional Economic Expansion. It has been subsidized by our nonsensical National Energy Program. The end consequences of these subsidies, as we can now see, is that they threaten one of the country's most important sources of employment and income generation. I am sure that the government ministers and officials who honed the policies of the Department of Regional Economic Expansion and the National Energy Program never gave a thought to the possible future ramifications in the form of this countervailing duty. Nor could we reasonably have expected them to do so.

What we can expect is that we can learn from this experience and in the future not put in place policies of an illiberal sort which hamper the natural process of adjustment in internal markets – a process we could not survive without on international markets. If other countries were to pursue the policies which Canada has pursued now for a hundred years in blunting the natural course of specialization and comparative advantage in international trade, Canada would be an economic wasteland. The lesson for the future is that we must adopt the attitude of free trade. We must do unto ourselves as we expect others to do unto us.

A second example, also current, which underlines the nonsense inherent in many current programs, is the furore over the Crow's Nest Pass issue. Let me be very clear at the outset in stating that I am in favour of rationalizing our transportation system and that I am in favour of grain competing on equal terms with other products for the use of our transportation system and that I am against subsidies in general. But when we examine the abolition of the subsidized Crow's Nest Pass rates in the context of other programs and policies of the government, the inherent rationality of it all is somewhat less clear. For example, at the same time as we are eliminating subsidization of grain exports which are obviously a keystone of our long-term development, we are subsidizing the production of aircraft, computers, and textiles. The razor-sharp thinking which prompts us to trim away the fat from our wheat and transportation systems somehow dulls when it comes to cutting a path for clear thinking through the maze of regional politics.

Let me say again that the reason why these inconsistencies, incompatibilities, and threats to our industrial structure arise is because we have not had in the first place a free-trade attitude in constructing national and regional policy.

The final lesson which we must derive from recent experience is about the extent to which we can rely on natural market forces and the extent to which we must rely on government to channel or redirect them. Of course, the reason for interfering with market forces in the first place is the view that the market is imperfect and that government can ameliorate circumstances by intervening with a tax or a regulation or a price ceiling or whatever. We have begun to realize in the last decade that the alternative of government intervention is also imperfect because it is undertaken by the same imperfect, short-sighted, self-interested human beings who engage in private activities.

In 1973, when the OPEC nations first began to flex the economic muscles which the growth in the demand for petroleum had given them, North American governments had two choices. One was to allow natural market forces to take their course, for consumers and producers alike to realize the benefits and the costs of higher prices. The other was for government to shelter consumers and penalize producers who had had the luck to find themselves with an investment in a now highly valued resource. Well, in the event, you all know the route which was selected. Eschewing entirely reliance on market forces, governments in Canada and the United States (particularly in Canada) maintained an artificial price for petroleum and to all intents and purposes behaved as though they were secret agents of the Sheikh Yamani in sheltering consumers from the brunt of OPEC's price-raising activities.

The result was that the OPEC nations could increase prices with impunity from the natural market reaction of a reduction in demand. As long as consumers did not have to face the reality of higher oil prices, the Arabs did not have to face the reality of lower demand for their product. And, during the interval from 1973 to 1983, many plans, both private and public, were predicated on the continued existence of a shortage of oil which was the signal which the now badly distorted market place was sending out. In 1980, this changed when the United States went to the world price of oil and Canada's oil price gradually began to approach that of the world level. The result was a most spectacular reduction in the demand for petroleum.

Whereas in 1970 the OPEC nations accounted for 61 per cent of the free world's total oil supply, in 1982 they accounted for only 47 per cent – less than the 50 per cent they supplied in 1960. In the case of North American demand for oil, during 1979 the United States imported 47 per cent of its total requirement, whereas today imports account for only 36 per cent. In both cases, free-world oil dependency on OPEC has been reduced to the pre-1970s level. In my view, this reduced dependency, together with continuing efficiency gains, will produce a world oil price which is stable or falling in real terms for the rest of the 1980s.

In other words, once the market was allowed to operate, it began to produce exactly the kinds of reactions which those of us who still believe in the existence of market forces had predicted as early as 1977. I have to do a little gloating here. The Fraser Institute in two books, one titled *Oil in the Seventies* and published in 1977, and the other called *Reaction: The National Energy Program* and published in 1981, provided very precise analyses of the consequences which would follow from the failure to allow market forces to operate.

It comes as no surprise to us that the world price of oil has overshot its true economic level. It overshot because of the intervention of government in restraining price and artificially elevating demand and thereby sending false signals to consumers and producers. The lesson we must learn from this experience is that the intervention of government does not ensure that the impact of any particular unfortunate event will be ameliorated. From our experience with energy policy, we must now acknowledge that involvement of government can make matters tragically worse than they otherwise would have been.

I think it is high time we recognized that reliance on market forces as a way of solving economic problems is not, as is often implied, naïve, simplistic, or stupid. Quite the reverse is the case. Those who propose that we solve our problems by yet another government program, another high-minded but impractical policy – it is they who are being simplistic, naïve, and even malicious. The evidence is quite clear – who can deny it? Of all the lessons we must learn from our present difficulties, this is the most important.

The appreciation of the audience was expressed by Michael Meighen, Q.C., a Director of The Empire Club of Canada

FEBRUARY 24, 1983

Competition — The Cornerstone of the Free Enterprise System

AN ADDRESS BY The Honourable Gordon Walker, Q.C., MINISTER OF INDUSTRY AND TRADE, PROVINCE OF ONTARIO

CHAIRMAN The First Vice-President, Douglas L. Derry, F.C.A.

MR. DERRY:

Distinguished members and guests, ladies and gentlemen: Our President, Mr. Stalder, has asked me to express his regrets at not being able to be present this week or next. In his absence, I have the pleasure of chairing these meetings and introducing our speakers.

It is our good fortune today to be addressed by a man who has a strong interest in, and responsibility for, the efforts of the Government of Ontario to foster and enhance the competitiveness of Ontario's industrial and trade sector. His address today is particularly appropriate after our having heard last week's speaker, Dr. Michael Walker of the Fraser Institute, emphasize the importance of export markets to the well-being of Canadians.

A year ago, the Ontario Ministry of Industry and Trade was created, and Mr. Walker named its Minister. When this ministry was formed, the Ministry of Industry and Tourism was reorganized to transfer Tourism to a separate ministry, while Trade was elevated to the status of a full division. This reorganized ministry is making its efforts in three main areas: expanding trade, encouraging investment opportunities, and strengthening the competitiveness of the province's industrial base. Trade missions and trade fairs abroad are being increased as part of the thrust for improved exports, while the "Buy Canadian" program is being expanded to assist with domestic markets.

The Honourable Gord Walker has first-rate credentials for this responsibility. He is known as an enthusiastic free enterpriser who has shown leadership in the past in pioneering sunset laws on government legislation and in promoting zero-based budgeting in government – both intended to ensure a greater effectiveness from government. In his new ministry, he has drafted a trade policy for Ontario to increase the sale of Canadian-manufactured products and services to world markets. He has also launched a major campaign to show small- and medium-sized firms how to successfully penetrate export markets.

Mr. Walker was educated at the University of Western Ontario and, upon admission to the bar in 1969, he opened his own law practice, Walker & Wood, in London, Ontario. However, he had felt a keen interest in political life from a young age and by this time, Mr. Walker had already served as an alderman in London for two years: this in itself was on top of an active life in student politics. He was first elected to the Ontario Legislature in 1971, and he currently represents the riding of London South, where he lives with his wife and two young daughters. Since 1978, he has held increasingly demand ing cabinet portfolios, first as Minister of Correctional Services, and then as Minister of Consumer and Commercial Relations. Throughout much of this three-and-a-half-year period, he was also provincial Secretary for Justice. A year ago this month, he took on the new portfolio of Industry and Trade.

I am pleased to welcome the Honourable Gord Walker, Q.C., to address us today.

MR. WALKER:

Mr. Chairman, ladies and gentlemen: I would like to speak to you today about competition, the cornerstone of the free enterprise system; the tremendous opportunities that exist for us to compete and win in the world marketplace; and about the dangers that threaten our very competitiveness.

Here in Canada we are the lucky heirs of a thousand-year process that started with the Saxons with their high cultural achievements, was augmented by the robust vitality of the Normans, and proceeded through a series of fortuitous historical developments to give us the rule of law, the primacy of individual and property rights, and the system of responsible government that is the basis of the free and prosperous society we value today.

The Empire Club of Canada carries on a tradition that is basic to democracy, of people freely coming together, comparing ideas, and reaching an informed consensus.

Your club's existence in this city, which has historically been the nerve-centre of Canada itself, reminds us that some of the finest achievements of the Canadian experience derive from British tradition, an entrepreneurial culture that is the foundation of Canadian accomplishment.

And why, you may ask, is a Minister of Industry and Trade talking about the value of preserving our culture? Because the economic prosperity that we have enjoyed did not come about by accident. Industry and commerce expand when they are underpinned by a vibrant, robust culture.

Even the problems of the moment haven't been able to destroy the results of decades of dedication to these principles of common-sense conservatism.

Ontario is a world-class competitor. Our economy generates $125 billion of goods and services yearly. That's roughly the equivalent of the national economies of either Sweden or the Netherlands.

Now, as we stand at the brink of world recovery, we must position ourselves for 4 per cent or 5 per cent real annual growth over the next four years.

Let me try a quiz on you: name the world's most successful trading peoples. Some of you might be thinking of the Japanese. *We* are the world's most successful traders! On a per-capita basis, Ontario is two and a half times ahead of Japan, more than three times ahead of the United States, and ahead, as well, of France and Germany. In fact, one-third of Ontario's gross product is exported. One out of every five jobs in Ontario fills those export orders. A positive picture, you may say, and it is one that Ontario has carefully nurtured. There is, however, a great deal left to be done and it's critical that we start getting it done now.

As if the world economic climate that we compete in isn't bad enough, recently in this country federal bureaucracy has run amuck. Government waste has reached Guinness' Book-of-World-Records proportions. No one knows whether the real federal deficit will be $27 billion or $30 billion. The federal government's spending is simply out of control. What we do know is that, on a per-capita basis, it is more than 50 per cent greater than the deficit now giving our good neighbours to the south such consternation.

This federal government mismanagement is *supposedly* being done for our benefit. But one begins to suspect that it is in reality the legacy of a politically bankrupt government whose major policies have been proven by recent events to be totally, and expensively, wrong!

It's time to get our federal house in order, or we are in danger of forever losing our competitive edge. It's time to say, "No more, no more!" It's time to restore honesty to the economy, because to live on borrowed money and to perpetually borrow more is not a state in which either a man, a family, or a nation can survive.

Deficit spending mortgages our future. It is a tragic burden that we, our children, and our children's children will have to bear. What we're really doing is denying them democracy. They won't be able to decide where they want their tax dollars

The Honourable
Gordon Walker,
Minister of Industry
and Trade,
Province of Ontario

to go – they'll have to spend half of them paying interest on our bills.

It was in the early 1970s that deficits and debt became synonymous with government spending. Many countries now have deficits which are "structural" – in other words, built into the revenue and spending patterns of the country. In good times the deficits are smaller, in bad times they are mammoth, but a structural deficit has one consistent feature: it is permanent and it is malignant.

The introduction of Canada's structural deficit has unfortunately been accompanied by the worst sustained round of inflation since the Industrial Revolution. It is not a coincidence that the value of our dollar started to decline at the same time as Ottawa embarked on a massive "buy-now, pay-never" program. High inflation was the inevitable consequence and it has resulted in a major decline in confidence in our long-term economic future. Now, this year, we are told the federal accumulated debt will be more than *$160 billion*! It is the latest and largest of an unbroken series of federal disasters over the past fourteen years. The interest alone will cost the people of Canada $16 billion per year forever, if we don't do something about it.

How much is a billion dollars? Let me put it this way: if you went on a shopping spree with $1 billion, and decided not to spend more than a $1,000 a day, you wouldn't be back for more than three thousand years! But $1 billion (which we haven't got) was spent last week in Ottawa. And a billion more will be spent next week. And two weeks after that. And two weeks after that.

What should we do? I propose that the only answer is a total commitment *now* by the federal and all provincial governments to the complete elimination of structural deficits as fast as we can. This means we should plan for surpluses in good years and very small deficits in others until we have eliminated the problem.

How can it be done? First, by a commitment not to introduce any major new spending programs, unless the funds for them can be found within existing budgets, until the structural deficit is eliminated. Our governments, just like you and me, are going to have to say, "If we can't pay for it, we can't have it." Secondly, we must eliminate all spending programs that no longer work. Thirdly, we must conduct a vigorous attack on waste in government.

Is it politically feasible? I believe it is not only feasible but essential.

The federal record boils down to all talk, no action, and steadily increasing dread, the dread we feel in the pits of our stomachs when we think of the bills that will eventually have to be paid.

The Ontario government has been committed to achieving a balanced budget for some years, and until the current recession hit us we had almost made it. No wonder the world's financial institutions still give us their best-possible "triple-A" credit rating. That's why Ontario has the lowest per-capita provincial deficit in Canada – $300 per person against Alberta's $2,000 or British Columbia's $800. All of the credit for this is due to Treasurer Frank Miller; his predecessor, Darcy McKeough; and Premier Davis. What they, and I believe all of us in the Ontario government, have had is a strong *commitment* to do what must be done to keep our provincial financial house in order.

And that word *commitment* is indeed the key to solving this problem. Yet we must further strengthen our commitment until the problem is solved. As taxpayers and Canadians we must insist that our federal government comes to grips with this problem. Structural deficits are destroying our competitiveness.

Let's fix it, and be challenged by our enormous opportunities. We, too, are an economic island, with the whole world our anxious customer.

I firmly believe that jobs – and I mean real jobs, not the make-work kind – are created by healthy business enterprises, not governments. Therefore, government support or private enterprise, explicit government encouragement of entrepreneurship, is central to any credible economic growth concept.

Simply put, if we want to accelerate our departure from the present recession and strengthen our hold on future growth, then governments must back business – *unequivocally*.

Trust and mutual respect are exactly what has been missing from the government/business relationship at the federal level. In Ontario's case, we are building economic renewal on the principles of backing business and consulting business. These principles have a dramatic impact on every policy.

The marketplace will decide the winners and the losers. And that's the way it should be.

The role of government is to create a climate that inspires business success, that helps *firms* fulfil their objectives for growth and prosperity – that helps *people* fulfil their objectives for growth and prosperity!

That is the guiding principle behind my ministry's goal of practically doubling Ontario's export sales by 1987. We *are* a trading nation. In our earliest days, we had the *coureurs-de-bois* and the Hudson's Bay Co. Trade was essential to our survival, to our development. It still is. Our first settlements themselves were trading posts.

On a per-capita basis, Ontario is the number-one trading community of the world, and yet there are eleven thousand firms in Ontario missing the export boat. And there are sixteen hundred professional firms in Ontario also missing the export boat, or truck,or plane; but missing the opportunity.

How would the average Ontario business like a piece of a new market that's growing by over 50 per cent annually? Saudi Arabia is. The entire Middle East is growing at 34 per cent. The Pacific Rim is growing at 24 per cent.

We'd all like a part of such business. How do we get it? We need to mobilize. If the way to fight what the textbook writers call "Japan Inc." is "Ontario Inc.," then let's get on with it. What is Japan Inc.? It's a phrase which describes a co-operation in Japan of government, industry, and finance. The kind of co-operation that Premier Davis had in mind when he set up our new Ministry of Industry and Trade.

Twelve months ago we started. We brought in our trade people from all over the world, we called in senior executives of major business and industrial organizations, many private companies, and most financial institutions. Together we've set a sales goal and we are going after it.

Frankly, Ontario's share of world trade has slipped over the past decade. Had industries here been able to maintain that share, some two hundred thousand jobs might have existed that now don't, and unemployment in Ontario could be in the order of only 6 per cent.

Our trade policy has three prime objectives – JOBS, JOBS, AND JOBS.

International trade is the cornerstone of our industrial well-being, our very economic growth. We've got to *start* under-utilized and under-productive Canadian capacity working again, and we're going to! We're going to because *we are* Canada. Ontario is more than three-quarters of all of Canada's fully manufactured exports!

Our message to Ontario industry is: tell us your export ambitions and we'll help you achieve them with market intelligence, trade missions, and trade exhibits; by arranging meetings with agents, distributors, and joint venture partners; through marketing advice; by providing export loans and anything else we need to do. We're all in this together and we will work for *you* and *with* you.

You hear a lot today about "high tech." Ontario has assumed a leadership position among Canadian governments – and most world governments – by establishing six centres of applied technology to help private enterprise apply microprocessing, computer-aided design and computer-aided manufacturing, robotics, and other "tomorrow systems" to their operations so that they can become more productive and more cost-competitive. They operate in auto parts, agri-food, mining, forestry, and every manufacturing sector.

These productivity centres are being managed for us by boards with directors from the private sector – a genuine public/private partnership. Through these centres we are saying to the leaders of private enterprise: "We can assist you in the technological transformation of your operations. We can show you the route to profitable survival." *We're* a world-class competitor. We are investing $250 million in this, our productivity future.

In an increasingly competitive world, where technology is force-feeding change, it is vital that we find a place for ourselves on the cutting edge of creative capitalism.

We realize that those nations which have had the most impressive economic growth are those which have been the most innovative technologically – that have focused on research and development, that have forged a practical government/business partnership, have attracted investment capital, and that have gone after markets with well-focused sales campaigns. Finally, we must do something about FIRA, the federal government's Foreign Investment Review Agency. As I said in Ottawa, on Monday, to a meeting of federal-provincial industry ministers, FIRA is still viewed around the world as evidence that we don't want new investment or new industry in this country. The impression of Canada to foreign companies is that they are not welcome here.

In Ontario we welcome foreign investment. We concern ourselves more with corporate behaviour than with parenthood. The bottom line, after all, is jobs. If they don't come here, they'll go elsewhere.

I stand here today, reminded by the institution of the Empire Club itself that one of our strongest cultural traditions, which we should protect at all costs, is that of limited government. As governments gobble up money, less and less is left for ordinary people to dispose of as they see fit, for businesses to invest, and for charitable organizations to distribute to the disadvantaged. And who says governments know better than you what should be done with your money?

We opened up this country and provided space for our people to dream their dreams. We tamed the wilderness; we cleared the farmlands; we built towns and cities. Achievements were heaped upon achievements as we were challenged to ever greater levels of accomplishment.

Remember this: success itself is a virtue, not a vice. One person's success is not responsible for another's failure. A successful person should never be penalized in the name of false equality.

Let's start talking again about equal shares of prosperity, not equal shares of poverty.

Let us remember the greatest resources in this province aren't in the ground – they're in the hearts and minds of the people of Ontario. We are world-class competitors!

We are the Province of Opportunity, and the future will be far greater than the past!

The appreciation of the audience was expressed by Ian McPhail, a Director of The Empire Club of Canada.

MARCH 3, 1983

Canadian Banks — Myth and Reality

AN ADDRESS BY Walter Stewart,
JOURNALIST, EDITOR,
AND AUTHOR

CHAIRMAN The First Vice-President,
The Empire Club of Canada,
Douglas L. Derry, F.C.A.

MR. DERRY:

Distinguished members and guests, ladies and gentlemen: Banks and banking are subjects which always generate great interest among Canadians. Some might feel that this is because of the size of banks and their influence upon our entire economy. Others maintain that it is because of the all-pervasive influence of banks upon each of our lives.

In the last several years, banks have received particular attention in the press due first to the protracted debate leading to the revision of the Bank Act in 1980, then due to concern a year ago over the profitability of banks, which some considered to be excessive; ironically, more recently it has been over their solvency as the economy plummeted and provisions for loan losses soared.

The concern over the possible excess profits of banks led to a review by the House of Commons Standing Committee on Finance, Trade, and Economic Affairs. In its report last July, it was stated as follows:

> On the whole, Canadian banks have proven to be efficient instruments through which the savings of Canadians are channelled into productive investments. Their large-scale branch network has given developing regions of the country adequate

> access to financial resources from other regions where surplus funds have accumulated. Such an efficient financial market is essential for recovery from the recent recession and for continued economic growth.

However, Canadians have always had differing views with respect to banks. For instance, some years ago in describing his financial career, Stephen Leacock wrote as follows:

> When I go into a bank I get rattled. The clerks rattle me: the wickets rattle me: everything rattles me. The moment I cross the threshold of the bank and attempt to transact business there, I become an irresponsible idiot.

Today's speaker also has strong views on banks. In his recent book, *Towers of Gold, Feet of Clay: The Canadian Banks*, Mr. Stewart looks critically at Canada's banks, noting their collective influence and overpowering financial clout; also, what he believes to be their apparent support for free enterprise, while at the same time devoting vast amounts of time and effort to protecting themselves from foreign banks and other domestic financial institutions such as trust companies.

Mr. Stewart is an experienced journalist, editor, and author with wide-ranging interests.

As an editor, the positions he has held over the years have included those of feature editor of *The Toronto Telegram*; Ottawa correspondent and feature editor for *The Toronto Star*; Washington correspondent and managing editor, *Maclean's* magazine; and Ottawa correspondent for FP News Services.

As a journalist, Mr. Stewart has contributed articles to magazines in Canada and abroad including *Saturday Night, Quest, Toronto Life, Atlantic Insight, Reader's Digest, Penthouse* magazine, *The New York Times, The Baltimore Sun*, and *The Washington Post*.

He is the author of a number of best sellers, including *Shrug: Trudeau in Power, Hard to Swallow*, and *Paper Juggernaut*.

His most recent book, as mentioned a moment ago, is *Towers of Gold, Feet of Clay: The Canadian Banks*.

As is evident from all of this, we have speaking to us today a writer of very broad experience who has undertaken to address a subject of widespread interest. I am pleased to welcome Walter Stewart to address us on the subject, "Canadian Banks — Myth and Reality."

MR. STEWART:

Mr. Chairman, ladies and gentlemen: For the first time in decades, serious Canadians are seriously asking themselves, "Are our banks safe?"

The answer appears to be that, yes, they are. As safe as anything else, anyway. Safer than the trust companies, safer than most manufacturing concerns, and, compared to farm implement manufacturers, they are Fort Knox itself.

But they are no longer fail-safe. A year ago, no question of their stability could even have been raised. It was something we could take for granted, like Niagara Falls, wheat rust, and a Liberal government in Ottawa, things which, for good and ill, are always with us.

That is no longer the case. It holds true for the Falls, the wheat rust, and, alas, the Liberals, but not for the banks. It could happen – it is not likely, but it could happen – that a run will start on the American banks because of their exposure in so many foreign lands whose credit is down among the wines and spirits. Someone is bound to notice, in the event of such a run, that our banks have been sharing the shower with the Americans. Indeed, our banks are up to their Plimsoll lines in foreign syndicates held up by not much more than hope and hot air.

Poland is bankrupt, has been for years. The Poles can't pay their debts, can't even pay the interest on them, and our banks, which have a substantial stake in Poland, propose to meet the problem by wishing and waiting. It's called "rescheduling." I spoke to my own bank manager, and asked for a loan on the same basis as the Poles, namely that I wouldn't pay anything for four years, and then I would get $500 million to tide me over 1983. All I got was a wintry smile.

But someday soon, the banks of the world, including our own, are going to have to face up to the fact that at least $400 billion that shows up on their books as assets has gone west. They are going to have to begin telling us how much is involved – $400 billion is just a conservative guess – and where it went. Someday, a creditor who is unable to collect from a bank caught short overseas is going to sue it into insolvency, and when that happens, all hell may break loose. In 1974, when a small West German bank went bust, it brought down an American bank, and very nearly started a major run. If such a run were to start today, no one knows if the international system could survive. They are all tied together, and our banks, whose foreign exposure now amounts to more than $150 billion, could be blown away with the rest.

Unlikely though such an event may seem today, it is the ghost that has put a shiver into the International Monetary Fund, causing all the shoals of economists and consultants to foregather in expensive hotels to ask each other the crucial question: What The Hell Do We Do Now? And to provide the stock banking answer: Fake it. Pass a resolution. Maybe the economy will right itself.

The possibility of a banking collapse should make us examine our own banks in a more critical way than we have in the past. By and large, the Canadian banking system has been a successful one. But it has never been nearly the perfect thing the Canadian Bankers' Association would have us believe. We – with the help of the CBA – have managed to surround our banks with a friendly mythology, which should now be compared with reality.

The first myth is: Honesty, Thy Name Is Banker.

Because banking history in this country has been written mainly by bankers, we have been led to believe that they are as dull as dishwater and as honest as the day is long. The two go together in the Canadian mind.

In fact, Canadian banking history has been marked by a fair degree of skulduggery.

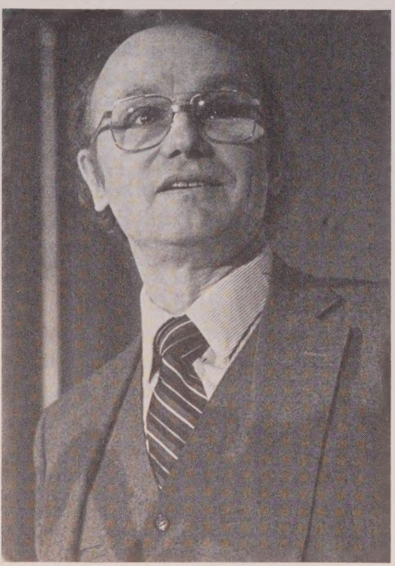
Our first banker was Enos Collins, who started out as a privateer during the War of 1812. When he got too old to buckle a swash, he turned instead to bankrolling other privateers. There are some who contend that not much has changed in banking from that day to this.

Collins became the founder of the Halifax Banking Company, and appears in our history books as a man of probity and character.

George Stephen was another worthy Canadian banker, an early president of the Bank of Montreal. He took $8 million out of the bank, without the knowledge or consent of the board, to invest in the St. Paul and Minneapolis Railway, which he managed to get at a knockdown price by having a fraudulent report prepared for the shareholders. It showed the railway line to be in grave difficulty. The man who produced this ersatz report then sued – he wanted a bigger share of the loot. The first court to hear the case threw it out, because, the judge said, it was not the court's job to decide "how plunder should be divided among different members of a gang."

Stephen became Lord Mount Stephen, and died a rich and honourable man.

But my favourite Canadian banker was William Zimmerman, owner and floater of the Zimmerman Bank, which produced some of the classiest worthless bank notes this nation ever saw. Zimmerman used his bank in his other line of work, which was railway contracting, and systematically sheared his shareholders, the general public, the towns through which his railways ran, and the gullible, wherever he found them. His last railway line, built with money raised through his bank, ran across the Desjardin Canal near Hamilton. Zimmerman contracted to build the trestle of oak, but built it of pine instead,



Walter Stewart, Author

and pocketed the savings. The first time a train went over the trestle, it collapsed, taking sixty passengers to their deaths, among them, William Zimmerman. There was an investigation, and the board of directors, after a lot of humming and hawing, said they could not explain why the trestle fell down; they said it was probably an act of God. Probably was, too. Zimmerman, needless to say, comes across in our history books as a man of sterling worth.

Gustavus Myers, the radical American economist, once explained the difference between American bankers and our own. In the United States, wrote Myers, the bankers bribed the legislatures to give them licences to print money. But in Canada, the legislators and the bankers were usually one and the same, "thus rendering bribery superfluous."

Many of our early banks were looted into insolvency; the bankers disappeared over the horizon, with their back pockets bulging, and those of the depositors, flat.

I do not intend to imply that Canadian bankers are greater scoundrels than, say, Canadian journalists. But they are not lily-white, never have been. In our own day, the Unity Bank of Canada flowered and withered in the early 1970s under the direction of one Richard Higgins, a man who was a) very charming, b) very smart, and c) very crooked. He eventually wound up in jail, and almost nothing about what really happened ever appeared in Canadian newspapers.

We cling to our myths, come what may.

The second myth is: Canadian Banks Are As Safe As, Well, Banks.

The Canadian Bankers' Association likes to boast that the last bank to go belly up in this country was the Home Bank, in 1923. True. However, until 1923, Canadian banks were a good deal more unstable than those of the United States, which have a deserved reputation for shakiness. Economic historian Tom Naylor has calculated that between 1867 and 1914, losses to shareholders in Canadian banks ran at three-and-one-half times the American rate, and concludes, "The record of stability of the Canadian banking system is alarming, and the myth of stability sheer propaganda."

Canadian banks were shaky right until the time the system came to be dominated by a handful of firms, which brings us to the third myth: Canadian Banks Are Competitive.

Well, they are, in a way. They compete in the entertainment stars they hire to push their products, in branch locations, and there are even a few banks where the pens work. But for the most part, in the words of economist John Chant, "Competition is something that has never been tried in Canadian banking."

The banks do not compete where it counts most – in pricing. To an overwhelming extent, they buy money at the same rate, and sell it at the same rate. Always have and, if they can help it, always will. The prime rate, of which the banks are so proud, is merely the outward and visible sign of their sameness. They mount a "common front" that should make Quebec unions green with envy.

Banking in this country is dominated by the "big five" – the Royal, the Commerce, the Bank of Montreal, The Bank of Nova Scotia, and the Toronto Dominion. Among them, these five hold more than 90 per cent of all the assets in banking. The Toronto Dominion, the smallest of the "big five," holds one-and-a-half times more assets than the sixty other banks in the system rolled into one. This is a classic oligopoly, and it behaves the way you would expect an oligopoly to behave, which is to say that, while shouting the praises of competition from the rooftops, it avoids the unpleasantness of competing on every possible occasion.

The fourth myth is: Canadian Banks Are Over-Regulated.

If you swallow this one, you should have no trouble with the one abut the guy with flying reindeer and a toy shop up north.

The Inspector General of Banks, our watchdog, is paid, indirectly, by the banks. The costs of his office are toted up each year, and the bill divided among the banks, according to size. This arrangement reflects the strength of banking mythology. Would we allow restaurant inspectors to be paid by the restaurants? No way. But for the banks, it's okay.

Canadian banks examine themselves. In the United Kingdom, the dear old B of E looks after this chore. In the United States, bank examiners descend on the banks, lock the doors, check the drawers, and verify the paper behind every loan. Not in Canada. Here, the staff of Inspector General William Kennett consists of twenty-one people – not enough to count the doorknobs on the banks, much less inspect them. So the banks inspect themselves, and send along a note that says, "Looks okay to us, Bill," and he has someone go over the paperwork. Then, when $10 million disappears out of the old cash drawer – as happened in Toronto not too long ago – there isn't much the

Inspector General can say but, "Isn't that the darnedest thing?" It is, too.

Canadians who want to complain about their treatment at the hands of a bank are invited to take their case to the Inspector General, who will deal with the problem in one of two ways. If it is a minor matter – mere insolence of office, or the loss of a few hundred dollars – he turns it over to the bank complained of. This is, he says, "to ensure a fair hearing by the bank."

But if the matter is really serious, he does nothing at all. He thinks it should be dealt with by the courts. That's a comfort.

Myth number five is: The Bank Is On Your Side.

One of the "big five" banks has a motto that says, "When you succeed, we succeed," but the real truth is found in the quote of a vice-president of the Royal Bank who said, "When we bleed, you bleed."

One case I came across involved a blind, elderly widow in Ottawa, who had many thousands of dollars on deposit in a local bank, drawing no interest whatsoever. When a neighbour found out about this, he berated the bank manager for not switching her money over to an interest-bearing account. The bank manager replied that it wasn't his job to tell customers how to place their money. I mentioned this case on an Ottawa open-line show, and promptly got a phone call from an Ottawa banker. I thought I was going to get a hot denial. Nope. He wanted to know what was wrong. If you can't fleece elderly, blind widows, he seemed to be saying, whom can you fleece?

Well, I don't expect banks to operate as social institutions. But, that being the case, I don't think they should get away with the notion that they are somehow different, loftier, worthier than other businesses. They are not.

Myth number six is: Canadian Banks Are Prudent.

They are prudent enough when you want to borrow $5,000 to consolidate your debts. Your friendly banker will raise his eyebrows, draw in his breath, and tap his fingers on the desktop until you crawl out of his office. But Massey-Ferguson got into the ribs of the banks with a set of figures which – if an ordinary businessman had brought them forward – would have put the loans officer into hospital with hysterics.

We have already seen how, in recent years, Canadian banks have taken to playing inflation roulette overseas, counting on an ever-expanding economy to support loans to nations whose collective credit isn't worth a bucket of warm spit. They have abandoned their own rules of prudent banking practice in the scramble for new business, and we don't even know to what extent we are involved – for, make no mistake, if these debts go sour in the can, we are all involved.

So we are back where we began, wondering about the safety of Canadian banks. It is a subject worthy of our wonder.

The Canadian banking system has a number of built-in advantages for all of us. One is the relative size of our banks – the very factor that produced the oligopoly of which I complain. Our banks are world-striders. Any list of the top sixty-five banks in the world will include the Canadian "big five," and we do not have many industries in such high esteem abroad.

Again, the other side of their rapid expansion in world markets has been to provide a strong arm for Canadian businesses abroad, and to earn foreign exchange for this nation.

Finally, the branch-banking system we enjoy brings some advantages we may not appreciate, because we are so used to them. In the United States, which has a much more competitive system, banks are confined within state boundaries; in many states, each branch is a separate company. As a result, service is often erratic; most businesses find it much easier to work under a system where the same rules apply from one end of the country to the other. Once again, the drawback – a lack of competition – has a partially compensating advantage, which is uniformity of service and ease of access to our banks.

My complaint about the Canadian banking system is not that it is a bad one, but that it is not nearly as good as it thinks it is. We need more action and less arrogance.

Our bankers have become so dazzled by their own myths that they cannot see their own shortcomings. It is only now beginning to dawn on them – and on us – that they may be on the brink of a calamity that could bring the entire international monetary system crashing down around our ears.

The fact that this could happen should remind us that we are better served by our major institutions if we see them as they are, and not as they would like us to believe they are.

The appreciation of the audience was expressed by Ronald Goodall, C.A., Treasurer of The Empire Club of Canada

MARCH 10, 1983

The Polish Government in Exile and Poland After Martial Law

AN ADDRESS BY Dr. Kazimierz Sabbat,
PRIME MINISTER OF THE
POLISH GOVERNMENT IN EXILE

CHAIRMAN The President,
Henry J. Stalder

MR. STALDER:

Distinguished members and guests, ladies and gentlemen: The constitution of our club sets out that we should be addressed by prominent men and women who can speak with authority upon the issues of the day, and the issue of today is the interpretation of intellectual and material liberties.

In the last few years, problems in Poland have been much in the news. However, this country has been the site of discord for many generations.

Our guest of honour today was among the Poles who escaped after the invasion of Poland by Nazi Germany in 1939. He now heads the government in exile that found sanctuary first in France and then in the United Kingdom. Mr. Sabbat is a law graduate of the University of Warsaw. He was an officer attached to the Polish general staff in London until the end of the war. He then established a manufacturing business in London, where he and his family still live.

Ladies and gentlemen, please welcome our guest of honour, Kazimierz Sabbat, Prime Minister of the Polish Government in Exile.

MR. SABBAT:

Mr. Chairman, ladies and gentlemen: What is the Polish Government in Exile? It is the legacy of the

Second World War which began, you will remember, on September 1, 1939, when Hitler attacked Poland. At the time, Poland had a long-established treaty of mutual assistance with France and a treaty of mutual assistance with Great Britain which had been hastily concluded in August 1939 in the face of the growing threat from Germany. Shortly before the invasion, a treaty had been concluded between Hitler and Stalin. It divided Poland and the Baltic States between Germany and Russia. Poland resisted German aggression and France and Great Britain declared war on Germany in our defence two anxious days after the invasion. I remember those crowds of people waiting in front of the British embassy in Warsaw, and the enthusiasm which met the announcement by the British ambassador.

On September 17, Stalin's armies poured through Poland's long eastern frontier – Poland was overwhelmed. The President of Poland and the government fled to Rumania. The government was re-established in allied France under the premiership of General Sikorski. The Polish Army was re-created in France. Thousands of young Poles – I was amongst them – were leaving their country, occupied by Germany and Russia, and trying to join this army. Many perished as they attempted to steal through foreign countries. After the French debacle in June 1940, the Polish government left France for Britain, where it was established again as a senior allied government. The Polish armed forces were recreated again, the navy was already in Britain, the army soon took part in the North Africa campaign, and, within weeks, the Air Force had to be ready for the Battle of Britain. In this famous battle, about which Churchill said, "never in the field of human conflict was so much owed by so many to so few," Polish airmen accounted for one out of every seven enemy planes brought down.

In 1941, Hitler's armies invaded their former partner, the Soviet Union. Russia, by this time, had incorporated the eastern half of Poland into her territories. More than two million people had been deported from these provinces to the Soviet Republics, and tens of thousands were imprisoned. In Katyn alone, over four thousand Polish officers had been murdered – shot in the back of the head. A further eleven thousand are still unaccounted for. All over the world, Katyn memorials are rising in remembrance of the victims of this crime. One stands in this city. In 1952, an American Congressional Commission published evidence proving Soviet responsibility for the Katyn murders, but Khruschev would not admit responsibility. The Katyn crime is still awaiting its judgement.

Our new and unwilling ally, the Soviet Union, had to recognize the first allied government – the Polish Government in Exile in London. Our agreement provided for the release of Polish prisoners and for the organization of a Polish army in the Soviet Union, under the government in London. Soon, thousands of former *gulag* inmates from all over Russia had forged a disciplined army. This army was transferred to Iran, Palestine, Egypt, and it eventually fought in the Italian campaign under British command. To it went the honour of capturing Monte Cassino under the command of General Anders. Many of these Poles are now living in Toronto.

The Polish armed forces in the West constituted the third largest fighting force after the Americans and British – it was about 250,000 strong. In Poland, an underground resistance sprang up. The underground Polish "Home Army," under the command of the Government in Exile in London, covered the entire country, forcing the German army to use large contingents in order to safeguard the security of vital communications lines. In spite of the cruel occupation, there existed a true underground state, complete with armed forces, schools, and law courts, all under the authority of the Polish government in London.

The price Stalin demanded in return for his crucial part in the defeat of Germany was very high – the eastern half of

Europe: Poland, Hungary, Czechoslovakia, Rumania, the Baltic States, and eastern Germany – but he got it. President Roosevelt agreed to it in Teheran in 1943 during a secret conversation with Stalin. He only asked Stalin to keep it secret because he was facing another presidential election, and in the United States Polish votes mattered. Then, in February 1945, the three leaders, Stalin, Roosevelt, and Churchill, signed the infamous Yalta agreements which formally abandoned Poland and her neighbours to Stalin's mercy. A few months later, three foreign ambassadors in Moscow appointed a government for Poland, which was already under Soviet control. It was based on the puppet Communist committee established by the Soviets. This new body was hastily recognized by the Western allies.

The allied Polish government in London was abandoned. No wonder the Polish armed forces in the West, the Polish civilian population, and numerous communities of Polish origin in the Western countries could not accept such a tragic outcome to this glorious chapter in their history. The Polish government in London protested before the whole world and decided to continue the fight for self-determination, freedom, and democracy in Poland. A small number of servicemen with family commitments decided to return to Communist-run Poland. The majority decided to stay in the free world and continue their work for Poland. The Polish armed forces were dissolved and ex-servicemen settled in many countries – Canada being one of the most hospitable.

The Polish Government in Exile has continued to this day. Its purpose is to preserve the continuity of a sovereign Polish state. The Communist government, sponsored by the Soviet military rulers and appointed by three foreign ambassadors, did not allow for free and unfettered elections. Its rule is based on Soviet power, not on the will of the people who have never accepted its legitimacy. It is therefore only a *de facto* administration. Moreover, it does not represent the true interests of the

Dr. Kazimierz Sabbat,
Prime Minister of the Polish Government in Exile

Polish nation, especially in the field of foreign relations where it represents the voice of its Soviet masters. The Communist regime is based on force and it governs by force. The Communist economic system, based on the exploitation of workers, has brought endless misery to people and has resulted in an economic collapse. Poland is now in economic ruins and unable to pay its foreign debts.

The task of the Government in Exile was to present to the world the true voice of Poland and the true interests of the

Polish nation. This we have been doing for years by attempting to influence public opinion in the free countries of the world. We have also taken a keen interest in developments in Poland. We have always been convinced that the Polish people will never accept Soviet domination and the alien system imposed on them. After a decade of Stalinism, when people in the war-ravaged country were rediscovering their roots, a cycle of upheavals followed. October 1956 brought Gomulka to power, but he was a disappointment. In 1968, in the year of the Prague Spring and the Soviet invasion of Czechoslovakia, upheavals in Polish universities took place. The Communist regime, looking for a scapegoat under Soviet pressure, started an unfounded and very damaging wave of anti-Semitism, forcing thousands of people out of Poland.

In 1970, workers' revolts in Gdánsk and Szczecin brought down Gomulka; Gierek took over. His main achievement was to accumulate a huge foreign debt of over $20 billion, borrowed from the West where petrodollars were available. The money was wasted in ill-conceived industrial developments under Party management. It is true that the general standard of living was improved, but the country's economy was brought to the verge of bankruptcy. Poland is unable to service such a huge foreign debt.

Since 1976, after further workers' riots in Radom and Ursus, there was a new development – that of opposition and freedom movements. First and best known among them was KOR (Committee for Workers' Defence). It acted openly within the limits of the legal system, taking recourse to recent Helsinki Final Act regulations. Many publications appeared, at first typed and eventually in printed form, all outside official censorship. Intellectuals, writers, and filmmakers were becoming more and more courageous. In 1980, workers throughout the country organized spontaneous strikes. Those on the Baltic coast, especially in Gdánsk, gave birth to the Solidarity movement. Solidarity grew in numbers, soon reaching about ten million Polish workers; rural Solidarity added a further two million. The whole nation stood behind Solidarity, which was more than a workers' organization and more than a trade union. It was a real national movement, representing the true ideals of the nation and attempting to revindicate the fundamental rights of the individual. In this endeavour, Solidarity found support not only among intellectuals, but within the Church. The Church in Poland has been waging a struggle for the rights and dignity of human beings for years, ever since the imposition of Communist rule. Its leader, Primate Cardinal Wyszynski, spent over two years in a Communist prison. The election of the Polish Cardinal Wojtyla of Krakow as Head of the Catholic Church gave new dimensions to Polish problems. His visit to Poland in 1979 gave the people new strength. Now Poland was changing. It appeared that peaceful change was possible in the largest captive country in Central Europe. Repeated Soviet threats somehow did not materialize. The attitude and warnings of the Western powers restrained Russia from intervening.

However, it appears that changes in Poland could not be tolerated by the Soviet leaders. On December 13, 1981, Jaruzelski, First Secretary of the Communist Party, Prime Minister and Minister of War, declared a "state of war" in Poland. Many thousands of people from all walks of life were interned, many were arrested and sentenced, many injured or mutilated, and a number killed. Solidarity was suspended and then dissolved by decree. After a year, the "state of war" was suspended last December. However, most of the restrictions were maintained, this time as ordinary rules of public order. The inhuman treatment of people, the brutality of the police forces, and the beatings did not stop.

Did Jaruzelski achieve his aim of forcing the people into submission? No! The people did not accept the new order, Solidarity was not abandoned. Its charismatic leader, Lech Walesa, did not submit. The Church calls for the right of workers to have their own free and independent trade unions.

Solidarity went underground. Its secret co-ordinating committee, composed of five well-known regional leaders, elected before martial law, still operates. It does not tolerate terrorism. It enjoys the support of the workers and of all people who have not been broken by the repressions. Solidarity is a force which must be reckoned with. There will be no internal peace and no return to normalcy, until and unless the aspirations of the people are met. It may take a long time, but the determination of the people is such that there will be no return to conditions as they were before August 1980.

What does Poland, the real Poland, expect from Western countries? The West should insist that the situation in Poland not be viewed as an internal problem of the Soviet bloc under the control of the Kremlin. Unfortunately, this was the attitude of Western powers in the case of the Hungarian uprising in 1956 and the Czech Spring of 1968. This time the Western countries warned the Soviets about the grave consequences of Soviet intervention in Poland. These warnings probably saved Poland from a direct Soviet military invasion. The Soviet rulers had to resort to indirect intervention. They trusted Jaruzelski, Deputy Commander of the Warsaw Pact Forces under Marshal Kulikov. Clear statements that Western countries support the rights of captive nations to self-determination are of primary importance. The Western powers should also support the struggle for human rights based on International Conventions to which both they and Soviet bloc countries are signatories. These rights are embodied in the Final Act of the Helsinki Conference of 1975, but they are not respected in the Soviet bloc. Signatories to the Final Act have a special contractual obligation to monitor the implementation of the Helsinki stipulations.

The Helsinki monitoring meeting which began in Madrid in 1980, and which will be resumed soon for its final session, is a good opportunity for voicing unequivocal support for the rights of the captive European nations. The problem of Poland should not be considered closed. The Afghanistan problem is still open and it plays an important role in international politics – Polish problems are no less important. While appealing for a clear attitude towards the Polish question, which obviously antagonizes the Soviets, I must add that in my opinion this is not a path that leads towards another war. On the contrary, the Polish experiment has shown the way to a peaceful solution to the present conflict between Communist East and Democratic West. The Soviet leaders are hard bargainers, but they are also realists. They will take advantage of weakness and vacillation, but they do not take risks and they appreciate strength.

Pressure should also be brought to bear upon Jaruzelski's regime in Poland. Western governments put forward the following conditions for the normalization of relations with Jaruzelski's Poland:

1. the abolition of martial law;
2. the release of all internees and prisoners sentenced for martial law violations;
3. the opening of a dialogue with Solidarity, with the Church as mediator.

Martial law was suspended, not abolished. Internees were released, but there are still thousands of prisoners who were sentenced during martial law. Solidarity was dissolved while its supporters are persecuted. It makes sense to think back to the original principles laid down.

In agreement with the Solidarity leadership we are also in favour of economic sanctions against the Jaruzelski regime. Poland is in a critical economic situation, being unable to solve its problems without the co-operation of Western economies. This offers an effective leverage. We approve of the "stick and carrot" policy. Political and economic sanctions should first of all be directed against the Soviets. Economic co-operation and credit facilities in particular, should be extended to Poland in response to measures that lead towards improving the internal situation. Massive economic help should be promised if and when democracy is restored. In the meantime, charitable help should continue to be provided to those who suffer deprivations – the needy, infants, the old, and the families of those who are imprisoned. Distribution should continue to be done through the Church, as it has been during the last year. This charitable help has indeed been remarkable. I wish to thank those numerous agencies, institutions, committees, and individuals who have done so much to help the Polish people to survive this recent period of hardship and deprivation.

While speaking about hardship I must briefly refer to another group of victims of the Communist regime in Poland. There are at present about two hundred thousand Polish refugees outside Poland who are unwilling to return to their homeland. Most of them are young people and generally well educated. They wish to settle in the free world. Canada has a very good record for accepting its fair share of these unfortunate people, who languish now in Austria and Germany. Resettlement, however, develops slowly; more effort and more generosity are required to solve this difficult problem. There is still another problem looming. More than four thousand people from all over Poland, mostly Solidarity leaders, are being pressured to leave the country. This policy contradicts any civilized standards of behaviour, and we are opposed to such an exodus of actual and potential leaders. On the other hand, we feel that those who find life impossible under the present regime in Poland should not be refused help.

Finally, what are the prospects for Poland after the suspension of martial law? Poland is a large country, the largest of all Russia's satellites. She has a proud tradition: a thousand-year history, a tradition of fighting for her independence (including a military victory over the Soviet army in 1920), a tradition of military achievements during the Second World War as an allied country, and a tradition that includes the underground Home Army. It is a Christian country with a very strong and independent Church which has successfully resisted the Communist onslaught. There is a Polish Pope in Rome and it is expected that he will repeat his visit to his homeland in June this year. This will lift the spirit of the people again. The Solidarity movement remains unbroken. The working class is strong and independent – it rejects communism. In the countryside, collectivization has not succeeded and individual farming has survived. There is harmony and co-operation between different sections of the community, especially between workers and intellectuals. The whole nation stands in passive resistance against Jaruzelski's military and police rule.

On the other hand, people understand the limitations resulting from Poland's geographical and political position. They trust their leaders, they are courageous but not reckless. The Solidarity chapter is not closed. The dramatic contest between the Polish nation and the Kremlin has not ended in defeat. It constitutes a big step on the road to freedom and democracy in Poland and in the other captive nations. It is also an important development in the most important conflict of the twentieth century – the conflict between dictatorial, totalitarian, and atheistic communism, and Christian, freedom-loving democracy.

The appreciation of the audience was expressed by Brigadier General Stephen Andrunyk, O.M.M., C.D., the Immediate Past President of The Empire Club of Canada.

MARCH 17, 1983

Who's Listening?

AN ADDRESS BY Claude Taylor,
PRESIDENT AND CHIEF EXECUTIVE OFFICER,
AIR CANADA

CHAIRMAN The President,
Henry J. Stalder

MR. STALDER:

Distinguished members and guests, ladies and gentlemen: Real joy comes not from ease or riches or from praise of men, but from doing something worth while, from serving a cause. Our guest of honour, Claude Taylor, is one of the foremost representatives of our service industry in Canada. Exemplarily, he is not only talking the talk but also walking the walk as is shown by his career in Air Canada, where he has risen from the rank of Reservation Agent to become President and Chief Executive Officer. He is not preaching identification, devotion, and team spirit – he lives it. In this capacity, he was awarded last year the Achievement in Communications Award from the International Association of Business Communicators.

Claude Taylor was born in 1925 in Salisbury, New Brunswick, where he went to public and high school. Then, he attended Robinson Business College and finally, he graduated as a Registered Industrial Accountant.

He is a Director of Guinness Peat Aviation, Ireland; and I would like to stop here for a moment to wish all our Irish friends a splendid St. Patrick's Day. All those in our membership who claim Ireland as their home origin are well represented on our board by Monty Larkin, who keeps the colour in good standing.

But let me get on with our guest of honour. He is a Director of the Concordia Centre for Management Studies, and Honorary Director of the Aviation Hall of Fame and the CNE. As well, he holds an Honorary Doctor's degree of Civil Law from the University of New Brunswick. Now, after all that, who would not listen? Ladies and gentlemen, please welcome Claude Taylor, President and Chief Executive Officer of Air Canada.

MR. TAYLOR:

Thank you, Mr. Chairman. You know, I sometimes wonder, in the press of trying to run a profitable airline, why I would agree to risk giving a talk on something as nebulous as "communications." Why not get Pierre Berton or Adrienne Clarkson . . . or Peter Worthington or Francis Fox? That's their business! But, aside from the fact that my "fee" is infinitely more reasonable than most of theirs, I can't escape the fact that communication is my business, too! When I mentally strip away the electronic and avionic miracles that help Air Canada carry twenty-five thousand passengers a day, I'm overwhelmed by the enormous reliance we have to place, in our company, on the simple interaction of real people accurately understanding what other real people are saying to them! But there's much more to it than that.

When a list of possible topics presented themselves to me for this Empire Club platform, the title "Who's Listening?" jumped out at me, because I'm increasingly concerned that on a broader level, and with broader issues, we Canadians seem to be missing an awful lot of what we're saying to each other. And I'm increasingly concerned that we're paying a very high price for that non-communication. Now, this isn't to suggest that there aren't a great number of people out there talking and writing and reading and tuning in. But I can't get rid of the impression that we're all at some vast, ongoing cocktail party, smothering in a blanket of white noise and disconnected fragments of ideas. To stretch the cocktail party metaphor one step further, I suspect that all we're remembering from the party are the guys wearing lampshades, trying to attract our attention for a passing moment.

What I'd like to do in the next twelve minutes or so is touch on the kind of messages we should be communicating and then look at "Who's Listening?" in the context of the economic and organizational world we're all familiar with.

Before getting into that, however, let me try first to establish four very basic factors which, in my mind, underscore the need for us all to communicate more clearly and effectively. They are fragility, commitment, speed of change, and expectations, and I suggest they set the ground rules for everything else to do with communicating.

The first is the fragile nature of our organizations, which are faced with economic and social factors that have moved beyond our control. For example, we used to think we could regulate our markets, and expand at will. What we didn't realize – or listen to – was the fact that we were all moving full speed ahead in the same direction, through almost three decades of unprecedented growth.

That's all changed. We're not all going the same way, and we're certainly not all moving at the same speed. You don't have to look much further than Oakville or Buffalo Airport to see how susceptible we are to offshore manufacturers or brash new commuter airlines.

My second point is the "commitment" we have to our constituents – whether we ever intended it or not! And by "constituents" I mean our employees, customers, suppliers, and shareholders – plus our families and communities. There are a lot of lives tied up in any organization today. In our huge, interdependent businesses in our huge cities, we've moved ourselves up and away from the traditional bases of personal survival, and I believe, in the face of this, that corporations have to accept a moral responsibility for their people's well-being and, to a certain extent, their peace of mind. If we don't accept that, I have no doubt that government will step in and force us to – on their terms, not ours.

The third element in my supposition is the speed of change. In the organizational world, we've all seen corporations merging, splitting, or introducing new policies and technologies at an awesome rate. Companies like Braniff shut down overnight, with wholesale layoffs. We can't rely on the old, formal "information trickle-down" to get the word out – or even the rumour mill. They're too slow and inaccurate.

All of which leads me to the fourth and probably the most important factor, which is the nature and expectations of the people who make up our component parts. On the one hand is a younger group: more demanding, inquisitive, and cynical; while on the other hand are the older, more settled workers and customers. Overriding all of this is the public's growing sense of "its right to know." What we have, in effect, is a life-affecting business drama, of a highly volatile nature, with an anxious, concerned audience. And I believe that if people like you and me don't begin communicating better, then something else will fill that "theatre" of ours.

Let me suggest to you that, in effective communications, neither "good intentions," nor performance skills, nor frequency are enough. All we end up with is what the late Nelson Rockefeller used to refer to as "bomfog," when he lost his place in a speech – "Brotherhood of Man, Fellowship of God" – good for at least five minutes, I'm told.

First and foremost, we've got to understand what kind of "messages" we should be sending. The medium may be the message for some, but I believe the message itself is pretty damn important. Secondly, we have to understand who is listening, and what they're receiving, or why they're not.

In my industry, and every other field I can think of, the most important, formal messages these days inevitably relate to change, and that's no surprise. In fact, directly or indirectly, most human communication is about change. It's just a little more threatening these days. At Air Canada or, for that matter, at Ontario Hydro or the Bay, or up in Ottawa, we're all talking about the new things we're doing, and why and how. We're writing articles or giving talks about how changes are going to affect our customers or employees or voters. We're doing films about what's happening to the world around us, and how that relates back to us. Some of us are spending a lot of time and money on it, too. But it doesn't seem to be working as well as we'd like. Our various publics don't seem to be listening.

That worries me. Right at the time we've got to manage some of the most dramatic changes in our organizational histories, significant parts of our publics have tuned us out, switched channels, buzzed off. So, *who*, in fact, *is* listening? Where are those inquisitive, demanding audiences I mentioned a minute ago? Well, I think they're still there. And I think they do want to know what's going on, perhaps more than ever before! They certainly do at Air Canada.

It's more than likely that normal, human resistance to change is at work, and partly to blame. These aren't particularly "comfortable" times for most employees, or voters, or consumers. Few of us watch *The National* without at least one or two shudders per newscast.

But I don't want to dwell on the "great out there" this afternoon, because in the context of organizational communication, which I'd like to stick to today, the real culprits may be *us*! Senior managers and mandarins are all too often guilty of sounding like Oscar Wilde, who, when asked about his latest play, replied, "The play is perfect, the performance is perfect. . . . Now, it's up to the audience to be perfect!" Regretfully, few of us can back up our arrogance with the wit and insight of Oscar Wilde.

I would suggest that "Who's Listening? " like charity, should begin at home, or at least at head office. It's not purely by chance that most headquarters are referred to as Ivory

Claude Taylor, President and Chief Executive Officer of Air Canada, with Henry Stalder, Club President

Towers, or Fort Fumbles, or Fantasy Islands. It has been demonstrated with embarrassing regularity that the higher one climbs up the organizational ladder, the more inaccurate one's assessment of the public taste and temper becomes. That's as understandable as it is appalling.

Let me ask this audience two questions which Toronto futurist John Kettle puts to his executive seminars: "In the last six months, how many of you have taken the bus? And who among you have had a conversation with a teenager (other than your own) in that same period?" Perhaps you begin to see my point about losing touch. And yes, I *do* fly Economy . . . but then, *I* knew about the question. Now, I'm sure there are innumerable reasons why this loss of contact occurs, and, to be fair, perhaps it always has, in structured societies. But when we compound the problem with the fragilities, commitments, speeds of change, and new expectations I mentioned earlier, well, someone or something has to start changing – at the top.

We've got to start finding out, "What is it that the unions really are saying to us? Why are our customers so disloyal? Why is the press always on our backs? Why don't the Liberals understand business? Why are the Americans so annoyed with us – and we with them? And why doesn't the public love and respect us?" You know, it's not as if there aren't answers to these questions!

In the remaining three or four minutes, I'd like to suggest a couple of ways in which we can start "listening" more effectively and offer a personal thought on finding the happy medium in communication. I think we have to begin that process with a number of assessments, and perhaps the best place to start is with an assessment of our subordinates (or your bosses, if that's more comfortable for you). We have to ask if they're feeding us what they think we want to hear, to the exclusion of the real story. Are they filtering out the bad news to us, or from us, or covering their "exposures?" And equally important, are we in fact encouraging them to do so? Do we allow them to argue with us without jeopardizing their careers?

I know we have to assess ourselves: can we accept bad reviews from the audience without shooting the critic? On a more personal basis, does our own "life-style" bear any resemblance to that of our front-line employees, or customers, or voters?

On a more erudite level, how informed are we or how exposed are we to the broad changes around us? Do we ever watch TV these days, or have we become media snobs who only listen to CBC radio or read *The Financial Post*? Have we taken the time to read (or even skim through) Toffler's *Third Wave*, or Drucker's *Turbulent Times*; Kettle's *Big Generation*; the excellent books on Japanese management; or, most recently, John Naisbitt's *Megatrends*? And if we have read one or two of these books, are we absorbing any of their authors' thoughts into our own working lives?

For flowing out of these questions comes an assessment of the society around us. I wonder if many of us here today have any appreciation of the anxieties in the workplace – where, for example, it has been predicted that robotics and computer-assisted manufacturing will threaten up to 75 per cent of jobs in the goods-producing sector. That's a very significant chunk of the North American labour force. Now, forgive me, but I suspect that that projection has not created too many twinges of job-loss fear in this room ... and that may be a problem in itself.

Moving from the general to the more specific, I wonder about the atmosphere that we've created for communications in our companies, or ministries. Does everyone have the opportunity and the mechanism to be heard as well as to be talked to? At Air Canada, I think it's beginning to happen but I'd be naïve if I didn't realize that there are still pockets of rigid resistance in certain management and union groups. And, based on our experience, I must warn you that a good atmosphere, particularly for internal communications, doesn't blow in overnight ... or even in one or two years. It takes a great deal of patience and listening, with no small investment in human and financial resources, and it evolves through many different approaches – some successful, others which don't work at all.

What we're wrestling with all the time at our organization is finding the "happy medium" between two basic polarizations. At one extreme is the hard-nosed school of thought which says, "Keep on feeding the blunt, bare-bones facts: don't pull any punches, it's the only way we'll ever get them to change." The implication, quite obviously, is that fear is a great motivator.

The other extreme, popular in a great many organizations, is a polarization around the idea of telling our audiences only the good news, based on the belief that that's all they want to hear. A variation on that "give 'em what they want" theme is the pollster-driven development of policies, which is very popular in political circles. Ronald Reagan's initial economic programs and our own federal energy policies are good examples. I don't think I'm just sitting on the fence when I propose that we have to find a happy medium between the polarizations.

There is little doubt that the general level of concern in Canadian society has created a deeper public sensitivity to economic and work-related issues. But I don't believe that adding to those fears does much to motivate people! Nor do I believe any organization can sell its people on an idealized world, when so many indicators around us suggest "something is rotten in the state of Denmark" – or the province of Ontario!

What we're looking for at Air Canada is that constantly shifting point where our various constituencies will hear what we're saying to them – in terms of what they already know about the world and the business around them. We don't see our communication, our messages, as being delivered in a vacuum! They have to complement and bear a significant relationship to what those "real people" of ours see on TV, or read in the papers, or intuitively understand from their daily lives.

This places a formidable onus on us, as management, to be candid and open at the same time as we're trying to be positive and aggressive. It's a very fine line, and we're not there yet. Few organizations are, but I don't think any of us here can take much refuge in that. I believe we can successfully handle the changes which Canada is undergoing, and I'm convinced that better communication within our society will be a major component of managing that evolution.

But I suggest to you that, in the not-too-distant future, the answer to "Who's Listening?" will have to encompass a far wider range of Canadians than it does today. What we have been doing here at the Empire Club today is an incremental process. No one's noon-hour remarks will turn the trick. But I do thank you for inviting me, and I thank you – for listening. It's a good beginning.

The appreciation of the audience was expressed by John A. MacNaughton, a Past President of The Empire Club of Canada.

MARCH 24, 1983

New Knowledge, New Possibilities, New Responsibilities — A Christian Perspective

AN ADDRESS BY The Most Reverend Edward Walter Scott,
PRIMATE,
THE ANGLICAN CHURCH OF CANADA

CHAIRMAN The President,
Henry J. Stalder

MR. STALDER:

Distinguished members and guests, ladies and gentlemen: In ancient Rome the Christians died for their faith. In the Inquisition, the unfaithful died. Today, the Church gives only guidance. We have come a long way.

In a constantly narrowing world, in times of faster and broader communications, we believe that our wide knowledge about remote matters allows us to set ourselves up as judge. We often take a God-like attitude of righteousness. It happens time and again and I suspect that many a good politician or a very religious person is not vaccinated against this.

We need our technical progress but we also need God. We need the church and the specialists and the church remains the specialist in moral teaching.

On the one hand the media nourish the fear of the future and on the other hand governments try to convey confidence by offering political, tactical, and strategic options. In between we find the various peace programs and peace movements, which can be as dangerous as war itself if wrongly understood or if the tools get into the wrong hands. May I quote Lenin, who, in his search for progress, said the following: "Every peace program is a deceit of the people and a hypocrisy if those programs are not primarily geared towards conveying the message of the necessity for a revolution by the masses."

Our guest of honour has greatly taken to heart the problems of our days, and his impressive background allows him to comment with authority on developments of our times.

The Most Reverend Edward Walter Scott was born in Edmonton, Alberta, in 1919, son of the Reverend Thomas and Kathleen Scott. The University of British Columbia conferred a B.A. upon him in 1940 and two years later he obtained his Licentiate in Theology from the Anglican Theological College in Vancouver. The same year he became a parish priest. After a long and impressive ecclesiastical career he was consecrated as a Bishop in 1966. In 1977 he was elected Primate of all Canada and four years later named Moderator of the Central Committee of the World Council of Churches. In 1978 he was awarded the Companion of the Order of Canada, the highest decoration in our country. His honorary degrees include five doctorates of Divinity and a doctorate of Civil Law.

Ladies and gentlemen, I take great pleasure in introducing to you the Primate of all Canada of the Anglican Church and the leader of the World Council of Churches, the Most Reverend Edward Walter Scott.

REVEREND SCOTT:

Mr. Chairman, ladies and gentlemen: It is both a great privilege and a great responsibility to have been asked to speak to this club.

That phrase, "A Christian Perspective," in my title for this talk was very deliberately chosen. One must see things from a Christian perspective, and in some of the areas I am going to mention today, there will be honestly held differences of opinion. I don't think that is a bad thing. My experience has been that when people are willing to explore ideas together, to challenge each other and push each other, then development of a Christian perspective can take place. If there is just an unthinking acquiescence in views, that perspective cannot develop and the realities that exist cannot be understood. I believe that I am presenting a Christian perspective because I seek to think, feel, and act on the basis of certain faith affirmations which find their focus in Jesus Christ. Let me set some of them forth very briefly.

I believe that God is, and that God created all that is. In other words I do not believe that the world is an accident; I believe it is a creation. Secondly, I believe that you and I and all human beings are made in the image of God, and that, as creatures of God, we are accountable to Him. I believe that there is a transcendental accountability that stands over every one of us, so that all of us are under judgement in relationship to that accountability. I believe also that all human beings – you and I and all others – are sinful, that we fall far short of what we were meant to be in God's plans and purposes. I believe that God acted in the person of Jesus Christ to reveal His nature in terms that people can respond to and understand. He did this both to enable people to experience life in its fullness and also because He did not want to condemn creation but wanted creation to find a wholeness, a complete salvation. I believe that God the Creator is still active in the world, and that He invites people like you and me, made in His image but imperfect, to be co-creators with Him. Because I speak from within this framework, I claim that I reflect a Christian perspective.

Now, if I can get back to the first part of the title, "New Knowledge, New Possibilities, New Responsibilities."

You and I live in a culture where new knowledge does not come by accident. For a long period in history, new knowledge came almost by chance, but that's no longer the reality of our world. We live in a world where there is research into every aspect of life. There may be some of us who would like to limit research into some areas, but the reality is that there is no aspect of life now where research does not take place, quite consciously and quite deliberately. We set out in disciplined methods to learn more and to understand more so that new knowledge is continually becoming available. This means that new possibilities are also being opened up, because new knowledge always brings with it new possibilities. And that confronts us with one of the basic aspects of our humanity, the responsibilities of making choices and decisions.

We have to choose not in the context of absolute freedom – I can't really envisage what that would be – but in the context of various possibilities that lie before us. People with a limited background or framework of thinking probably see those possibilities as being very limited, but people whose imaginations have grown and whose insights are wise will see a far wider range of possibilities. And it is, in fact, through these choices and decisions that we make, both individually and in the whole complex pattern of corporate structures, that the future of the society is shaped.

Because I believe that we as preachers are accountable to the Creator, I believe that this new knowledge with its attendant new possibilities always brings with it new responsibilities. It isn't good enough to say that because something was done in the past it is all right to do it now; we have to look at the new responsibilities that have been laid on us. I would suggest that we need to be accountable to God at all levels of our knowledge.

In the period that started with the scientific method, that period that sometimes has been called the Age of Enlightenment, there was a kind of general optimism that the new knowledge would produce a new kind of world, a world in which the major problems of humankind would be solved and life would become fuller and more complete. The promise of science and technology was very great and the promise is still there. But I think we have to recognize that during the last half century new knowledge has become available to us that challenges the idea that knowledge automatically brings a better world and a fuller life. This new knowledge forces us to come to terms with the threat of science and technology as well as its promise. The promise and the threat are very closely linked and part of our responsibility has to be to choose between the uses of science and technology that will fulfill the lives of human beings and those that can destroy those lives.

When I was working at the University of Manitoba, the then president of the university, Dr. Truman, gave an address to the freshman students in which he said that one of the responsibilities of the university was to help people learn facts. Without facts you can't think, you can't relate one thing to another. Facts, therefore, are very important things in any kind of decision-making. But decisions are never based purely on facts. There's no situation in which we have all the facts; there are always things that are unknown to us about any situation. Values enter into our decision-making as well as facts. Our values are the things we feel are important. We've all heard people say that it really doesn't matter what they believe, all that matters is what they do. Of course, that is one of the most stupid statements ever made. The things that you and I really believe, the beliefs we are prepared to bet our lives on, *determine* what we do. Beliefs, then, are fundamentally important things in society and in the lives of people. The difficulty is, of course, that between what people give lip service to, what they *say* they believe, and what they really believe, a very wide chasm can exist.

I tell a story sometimes about a guided tour through the smelter in Trail, B.C. The group stopped in the room where the molten metal is poured into the moulds to harden into ingots. One of the tourists said to one of the workmen, "You must get burnt a great deal working in this room." The workman's reply was, "No, not really. First of all," he continued, "when you are working in molten metal you learn to be careful. The other thing is that this room never gets much cooler than about 110 degrees fahrenheit, so you are always coated with perspiration. In fact," he said, "you can even touch the liquid metal as long as you bring your hand quickly away, the way you would to test an iron to see if it was hot enough to iron with. You don't get burned from the iron." Then he asked the group of people if they believed him. Everybody nodded yes, and he said, "Well, who's going to be the first to touch the metal?"

The real test of a belief is whether it affects your actions. I suggest you and I – all of us – are shaping the future by our beliefs and our actions. The possibilities which will be realized depend on the choices we make, which, in turn, depend upon our values and also upon our taking an active rather than a passive role.

One of the aspects of being a responsible person is that one must be willing to make deliberate choices based on the facts available and on one's values, and then one must follow up those choices – make them work, not just allow them to drift aimlessly. If we seriously believe this, the issue is not "are we helping to shape a future?" but "what kind of a future are we helping to shape?" I'm convinced that we have to be much more conscious about this process and accept much more responsibility for it than we so far have, because I think that many of our previous decisions have brought about undesirable conditions that were never directly willed or intended. Every time we make a decision there are consequences to be faced, and it is only as we reflect upon history and face those consequences that we can learn and benefit from our experiences. All too often we don't reflect enough upon the results of our decisions.

I have picked one example out of many available to try and illustrate what I am talking about here. I don't know whether any of you here read a report on population resource development and environmental impact that was commissioned by President Carter in 1977 and published three years later. It was published as the *Global 2000 Report*. President Carter had asked for a projection of present trends to the year 2000. What he was really asking was what kind of a world will we be facing in the year 2000? This was a pretty disturbing report. In summary, it said, unless present trends change, the world in 2000 will be more crowded, more polluted, less stable ecologically, and more vulnerable to disruption than the world we live in now.

But trends are not inevitable. This report and others like it indicate some of the areas where changes must be made in public policy. It is policy decisions that will determine the conditions that will shape the lives of our children and our children's children, but if we are to have an impact on the Earth and its future there must also be changes at the person-to-person level. It is at the person-to-person level that we find the things that enrich and give meaning to our lives.

Let me just quote from the findings of this report. Forests – the conversion of forested land to agricultural use and the demand for fuel wood and forest products will continue to deplete the world's forests. These are now disappearing at the rate of eighteen to twenty million nectares – an area half the size of California – every year. As much as 40 per cent of the forests now standing in poorer countries may be gone by the year 2000. Most of the loss will be in the ecologically sensitive tropical and sub-tropical areas. The loss of tropical forests, along with the impact of pollution and other pressures on habitats, will cause massive destruction of the planet's genetic resource base. Between five hundred thousand and two million plant and animal species, 15 to 20 per cent of all the species on Earth, could be extinguished by the year 2000. These extinctions and the degradation of the tropical forests will seriously affect such things as water resources, air quality, and so on.

We can link some of the *Global 2000* information with information that comes from the World Watch Institute – some of you may know about the Institute. It's a private organization concerned with the world's soil. It has been documenting the increasing rate of soil erosion in Africa, Latin America,

Most Reverend
Edward Walter Scott
Primate, Anglican
Church of Canada

Russia, and North America, in fact, in virtually every part of the world. There is now serious erosion almost everywhere. The world's topsoil is being lost. It is true that world food production has doubled since 1950, but it has been doubled only through the adoption of agricultural practices that have led to excessive soil erosion and, very often, have cost dearly in energy consumption. Now the world's increased population has already begun to outstrip the production capacity of many local biological systems. We are, as Dr. Brown, the president of the world-wide Institute, has suggested, indulging in biological deficit financing. We're borrowing against our future and the future of our children. This means that the high prices we now face for some of what we deem to be necessities are not simply the result of a shortage of non-renewable resources, but the result of our inability to produce our renewable resources fast enough to meet an expanding demand. We're in grave danger of consuming the productive resource base itself.

This new knowledge that has become available projects for us a not very cheery picture of the future. But I do not believe that trends are inevitable, I believe they can be altered. It is here that I think we have to face the question of our responsibility as human beings.

What I am suggesting is that because you and I are placed in the world, in particular in this country where we are given a high level of education and tremendous access to current knowledge, we have a responsibility to grapple with some of these problems. I am convinced that we are able to change present trends, and in order to do that I think we have to examine present patterns of management. Among the first of those patterns we ought to examine are the value patterns. I think we have to look at those value patterns as they relate to each of us individually, as they affect our relations with other individuals, and as they affect the relations between corporate groups and individuals, and corporate groups and other corporate groups, and even as they affect the relationships between larger groups, such as nations. I also think we have to examine our relationship with nature. I am convinced that we must once again recognize ourselves as beings who exist within relationships.

We all find the deeper meaning of our lives in our relationships with others. First of all, there has to be that internal relationship, that sense of integration within ourselves. If we don't have any clarity about who we are and what we are individually then we'll not likely have any sense of meaning as a person. Now I think this is a relationship to other people as individuals and here I think we have to raise some questions about the pattern of life that we have very often drifted into without examining very carefully. One of the problems of our society is that we tend to see people's importance relative only to what or how they produce and consume. We do need production and consumption. We can't live without things – without food, without clothing, without shelter – but if we can see human beings as valuable only because of what they produce or consume, we're losing some of the essential dignity of what it means to be made in the image of God with a capacity for creation and relationship. I think we need to develop a fuller sense of what is involved in our relationships with other people, our relationship with nature, and our relationship with God, the source of all being.

We all have functional relationships and friendship relationships and I'm afraid that all too often we tend to look at our functional relationships in non-personal terms. We view the other people in that functional relationship as things rather than as people; as employees or as managers. They are employees, they are managers, but they are also people with the ability to interrelate with each other and with us.

In relationships at the corporate level – between labour and management, between people and government, or even between nation and nation – I think we have to work much more conscientiously towards agreements that are, to use a phrase out of a book of business management that I read, win-win agreements rather than win-lose agreements. Our concept of success in recent years has almost demanded that in order for one side to win, the other side must lose. I think we must recognize that it is a far better situation if we all win. I think we have to quite deliberately focus more attention upon corporate relationships that are win-win, relationships where both parties benefit.

Finally, and perhaps most importantly, we have to reconsider our relationship with nature. After the Age of Enlightenment, with the use of the scientific method, we have tended to think of ourselves as being above nature; we are the lords of creation. We have felt that nature was ours to do with as we wished. Ecological research is beginning to show us that we *don't* stand over nature – we stand *in* nature, we are dependent upon nature. We must recognize that there needs to be a creative balance between nature and humankind. We must rekindle a respect for nature.

I think that what we need to strive for in our age is a new vision of the kind of world that we want to see come into existence; a new vision of the kind of world in which we want our children and our children's children to live. Having given some real thought to that, we then have to accept the responsibility of bringing that world about. Armed with facts and defended by values, we must make conscious decisions to ensure that life in the future will be fuller and richer, that we won't face the constant deterioration of our world, and that there will be a greater sense of brotherhood and sisterhood between human beings. This world *is* possible, but only when each of us develops a sense of our accountability to that which transcends not just our own life, but the lives of all people.

The appreciation of the audience was expressed by Major General Bruce Legge, C.M.M., K.ST.J., E.D., C.D., Q.C., a Past President of The Empire Club of Canada, and the President of The Empire Club Foundation.

APRIL 7, 1983

McDonald's Worldwide — Past, Present, Future

AN ADDRESS BY George Cohon,
PRESIDENT, MCDONALD'S RESTAURANTS OF CANADA LTD.

CHAIRMAN The President,
HENRY J. STALDER

MR. STALDER:

Distinguished members and guests, ladies and gentlemen: Once my wife and I had a young lad from the United States visit us. He asked us if we could have lunch at McDonald's. My wife said no, and I said we would be eating at home. We had a good roast with beets, apple pie, cheddar cheese, and some tea. At the end of the meal, I asked our guest how he had enjoyed it. He responded, "I still prefer McDonald's, but now I know why you all pray before you eat."

Our guest of honour is "Mr. McDonald's" of Canada. He was born in Chicago forty-five years ago. He graduated from Drake University in Des Moines, Iowa, with a bachelor of science degree, and later from Northwestern University School of Law. Mr. Cohon practised corporate law in the United States from 1961 to 1967, and was the recipient of the alumni distinguished service award from Drake University.

George Cohon moved to Toronto as the licensee of the McDonald's Corporation for eastern Canada in 1968. He expanded McDonald's in eastern Canada at a rapid pace through the years 1968–70. Mr. Cohon was one of McDonald's largest licensees in July 1970, at which time the Corporation acquired his licence agreement. He stayed on as president after McDonald's Restaurants of Western Canada Ltd. was acquired and the present company, McDonald's Restaurants of Canada Ltd. was founded. McDonald's in Canada now numbers 425 units spread from coast to coast. Its sales are approximately $650 million per year and it employs forty thousand people in Canada. McDonald's worldwide activity includes a total of 7,259 units, with sales for 1982 of $7.8 billion. The net profit for this huge organization that year was $301 million.

George Cohon is not ony a businessman, he's dedicated to social, cultural, and public work. His involvement in about thirty worthy organizations covers the Santa Claus Parade, York University, Canada Post Corporation, the Canadian Opera Company, Mount Sinai Hospital, the Jewish community, and the Ontario College of Art. George Cohon truly caters to everyone. Please welcome him to our club.

MR. COHON:

Mr. Chairman, ladies and gentlemen: I've got about fifteen or twenty minutes to talk about the McDonald's Corporation, past, present, and future, worldwide. To give me some idea of what you know about my company, if you've never been to McDonald's in Japan, raise your hand. . . . If you've never been to McDonald's in Australia, raise your hand. . . . If you've never been to a McDonald's in Canada, raise your hand. . . . Could I have your name please? . . . Fred, I hope you pay attention to what I say.

McDonald's started in the United States in 1955 and has now grown to a very large corporation. It started in Canada in 1967 with the first McDonald's outside Vancouver. The first one in eastern Canada opened in London, Ontario, in November 1968. I remember that restaurant's opening. To tell you the story will give you some idea of what it was like in the early days. We wanted to give some money to a local charity. I was in London and I opened the phone book and phoned the crippled children's organization in London. I said that we were opening a restaurant called McDonald's and I wanted half of the opening day's proceeds to go to the crippled children's organization of London, Ontario. There was a pause and a man came on and said, "Well, we will have to discuss this at our board level. Would you please come to a board of directors meeting?"

Off I went to the board of directors meeting and sure enough it was a full board meeting. I had just moved up from Chicago and the company had given me a fact sheet. I recited my interesting information – we've sold enough hamburgers to go to the moon and back three times; we've sold enough ketchup to fill the Grand Canyon. As I said that, a man at the end of the table (I had thought he was asleep) said, "Have you ever seen the Grand Canyon, son?" I said, "No, sir, I haven't," and he said, "There's not enough ketchup in the world to fill the Grand Canyon." And I got out my fact sheet and looked at it, and it was the Missouri River we could have filled with ketchup. I said, "I'm sorry, I should have said the Missouri River," and he growled, "I don't know if I should accept that from somebody like you."

That was the beginning of McDonald's in Canada. I think the easiest way for me to explain our situation worldwide is to quote a report that was issued by a large security firm two weeks ago. This report described McDonald's in one paragraph. Among other things, it said that the world's largest food service organization is McDonald's; it and its franchises and joint-venture partners operate more than seven thousand fast-food restaurants in the United States and thirty foreign countries and territories. About five thousand of those units are less than ten years old. The company feeds about nine million Americans daily (and, I might add, we feed one million Canadians daily, one at a time). It owns or leases prime real estate sites, it will follow wherever you go, it has a $400 million advertising and promotional budget to play with, and there is no escaping those "McDonald's and You" jingles. It is by far the broadest and deepest management team in the business. In all humility I would agree with that report. McDonald's has never had a down quarter; it is business's greatest success story; it is what every other restaurant company wants to be when it grows up.

When I got involved in McDonald's in 1967, the total sales were $267 million. The sales of the Canadian companies this year will be more than $700 million. The sales of the worldwide organization last year were $7.8 billion. We opened 520 restaurants worldwide last year.

Canada is by far the largest operation of McDonald's outside of the United States. If you took all the countries in the world where there are McDonald's (other than the United States), and you totalled all their sales and all of their profits, the Canadian McDonald's sales and profits would be greater than all of those combined. That won't last forever: there are countries – such as Japan with 250 McDonald's today, and Germany where there are 200 McDonald's, and Brazil, where in Rio there are at present 10 restaurants – where in a few years there will be literally hundreds and thousands of McDonald's restaurants.

It is easy for me to explain why I think we at McDonald's have achieved the degree of success that we have. There was once a company president who was asked to give a speech to a group like this. The president felt nervous and uncomfortable about it, so he hired a professional actor. The actor studied the company and learned all his lines, and then got up and expounded about what a great company his particular corporation was. It's easy to stand up and say that you're number one but it's a lot harder to deliver. I think that McDonald's delivers what we promise. You cannot start a company and in some twenty-five years grow to the size that we have, without actually delivering what you promise.

And we stick to the basics. The basics in McDonald's are what? Well, let me give you an example; there are no cigarette machines in McDonald's. Now with more than seven thousand restaurants in the world, if we just put a cigarette vending machine into each one of those restaurants and formed a subsidiary, that subsidiary would be a giant corporation. We are not in the business of selling cigarettes. There are no pay telephones at McDonald's; we don't want people driving by saying, "Let's go into McDonald's and make a phone call." In an emergency, of course you can make a phone call, but we are in the business of selling wholesome food, quality food, in very, very clean surroundings, giving very, very good service, and at a very reasonable price. Those are the basics of our business. It should be extremely easy for people to imitate the basic tenets of a business like McDonald's. People have tried. competitors will come and competitors will go and McDonald's – because we understand this business and we've grown up in it – will continue to be the largest company of its kind in the world, because the management of our company is the deepest, the broadest, and the best in the business.

McDonald's is not the kind of company that hires people from other organizations and makes them officers. For example, I am forty-five years old. The company started in Canada in 1967, so now I guess we are into our sixteenth year. The average age of the fourteen officers in the company is a year younger than me, forty-four, and their average time with McDonald's is about thirteen years. These are people that started young, started by flipping hamburgers. That's the way McDonald's has been successful.

You know, while I am speaking today to the Empire Club, my wages are being paid by the more than forty thousand Canadians who are out selling our product to the millions of Canadians who want to buy it – all too often we don't get out to look at what's going on in the marketplace. A couple of years ago – and I think this is a good idea for any company, so if it applies to yours, steal the idea – we decided to have a national store day. On a national store day, we close all the head offices of McDonald's and everyone from head office goes out to work. The offices are closed tight as a drum; there is no one on the switchboard, the accounting department is out

George Cohon,
President of McDonald's
Restaurants of Canada
Limited, with Club
President, Henry Stalder

working, the construction department is out working, and all the secretaries are out working. If you called up on the phone you would get a recording that said, "To locate the nearest McDonald's, turn to page so and so in the telephone book," because we wouldn't want anyone to call and not know how to get to a McDonald's. That first year we all wore signs to tell people that we were from head office; the signs said, "I am from head office, so help me."

I remember working at a McDonald's on Islington Avenue in Toronto when an airline limousine driver came in and ordered a Big Mac, fries, and a Coke. As I was filling the order, he looked me right in the eye and said, "I hope you do a good job because I am a very good friend of Mr. Cohon, who is the chairman of your company." I said, "How do you know him?" "Well," he replied, "he travels a lot so I pick him up at his house and I drive him to and from the airport." And I said, "What's he like?" He replied, "He's a much younger man than you are." I bought him his lunch!

Days such as national store day have evolved to days such as McHappy Day. On McHappy Days, which we've had four times in the last six years, instead of just the head office getting out and working, the mayors of various cities, and other politicians, are asked to come and work for us. We also ask hockey players, baseball players, soccer players, the heads of hospitals, our suppliers, as many people as we can, and then we donate some of that day's proceeds to local charities. We started by raising money for crippled children's organizations across Canada on our first McHappy Day, then we decided to raise money for any children's charity in a particular community. We've raised more than $2 million in the four years that we've had that program and that's something of which I'm very, very proud.

I think that McDonald's is a corporation that sets the standards for corporate responsibility, and I say this because I am proud of it, and because it's the truth. We have days like McHappy Day and we had a day that supported Terry Fox when he was running across the country. McDonald's raised more than any other single group for Terry Fox's campaign. We raised $1.5 million on our Terry Fox fund-raising day to aid his marathon of hope and to help cancer research.

How many of you have heard about Ronald McDonald houses? Ronald McDonald houses are houses close to children's hospitals where parents of children from out of town who are being treated for cancer or other life-threatening diseases, can stay while their child is being treated. Instead of the parents having to stay in a hotel they can stay in a house, thereby maintaining some semblance of order and family life in a very tough situation. The houses have around twenty-six or twenty-seven bedrooms, a central eating area, a central entertaining area, and they are "a home away from home" where the children can come and visit with their parents. There are Ronald McDonald houses in Montreal, Halifax, Toronto, and in Vancouver and Winnipeg there are houses under construction, and there will soon be one in Ottawa. There are forty-two Ronald McDonald houses all around the world where McDonald's has put in the initial money.

Ronald McDonald houses are run by concerned parents and by hospital administrators– by citizens. It is interesting to talk about the number of hamburgers we've sold and the dollar profit and the sheer size of McDonald's, but it is nice to know that over one hundred thousand families stayed at these houses last year alone. When McDonald's does things like that, we are putting back into the community part of what we take out in profits.

Now I will tell you what McDonald's restaurants are like in other parts of the world. Has anyone really seen a McDonald's in Japan? . . . In Japan there are over two hundred – approaching three hundred – McDonald's restaurants. In every country we go to we have a local partner, a citizen of that particular country. In Japan, 50 per cent of McDonald's is owned by a Japanese partner. When he opened up he could not sell french fries; for some reason the Japanese did not like our french fries. I remember him saying, "Don't worry. I know they'll like the french fries. We have to teach them what french fries are. French fries are good, they are wholesome, we will just teach them that and they'll like them." Now there are more french fries sold in the average McDonald's in Japan than there are in any in North America.

If you were to look at McDonald's in Hong Kong or in Australia, or anywhere in Europe, you would be amazed by the acceptance level. We just opened in Kuala Lumpur in Malaysia, we have just opened in Manila in the Philippines, we are going to open next year in Taiwan. There *are* parts of the world where McDonald's hasn't gone yet, but give us time!

One part of the world where we may be some day is the Soviet Union. I have been to that country seven times trying to figure out if it's feasible for McDonald's to open there. In 1976, when the Olympics were held here, we worked hard to get into Russia for the 1980 Olympics, but it didn't work out.

People ask, how many McDonald's restaurants can you put in a country? How many can you put into the United States? You are at seven thousand, will you get to ten thousand? Will you get to twenty thousand? Ray Kroc, our founder and chairman, had a great answer when he was asked that question. He would say, "You're asking about saturation. Saturation is for sponges. When you drop some water and you want to soak it up, you take a sponge. How could I conceive today where McDonald's might be in ten, twenty, thirty, forty years from now?" And I think he was right.

To give you an example, McDonald's today is in the downtown core of the major cities across Canada. We never used to be. We used to count church steeples and station wagons. If we saw a lot of churches or temples and a lot of station wagons and a school with mobile classrooms, meaning the school was overflowing, that would be a good place to put a McDonald's. But we decided that people not only live in communities, they work in communities and they go to and from work and they travel and they visit theme parks and amusement parks; why don't we see how McDonald's does in those areas? So now there is a McDonald's at 999 Yonge Street, which is around the corner from here, and there is a McDonald's at 239 Yonge Street which did so well that Eaton's decided to open a big store across the street from it. And I could go right on up Yonge Street – there are fourteen or fifteen McDonald's on Yonge Street all the way up to Richmond Hill and Thornhill and Newmarket.

At the Metro Zoo, one of the best zoos in the world, McDonald's has an exclusive contract – to feed people of course. There are five McDonald's restaurants at the zoo. There are also McDonald's restaurants on a riverboat in St. Louis, in a hospital in Columbus, in an airport in Miami, and an airport in Singapore. So when we are asked where we can continue to put McDonald's, I don't think we have too much of a problem. We are going to continue to expand.

These are tough times in Canada and in the world, but McDonald's in Canada, a corporation that now employs about forty-three thousand people, in the last year added four thousand people, and no one has lost his or her job. You can see that McDonald's is a growth company and we are going to continue to be a growth company.

When we came to this country we used to buy everything from the United States. We now buy 98 per cent of our product in Canada and we are aiming at 100 per cent. That's important; that's good for the Canadian economy. When I came to this country I was an American citizen; I'm now a Canadian citizen and very proud of it. And as a new Canadian, one thing I don't want is Americans giving us any trouble.

The last thing I want to talk about is Ronald McDonald. Ronald McDonald is the clown that we use in our promotion and advertising. There were a couple of surveys done a while ago by a Toronto newspaper that tell you how well this advertising and promotion has worked. Children, five to nine years old, have a 98 per cent awareness level of both Santa Claus and Ronald McDonald. In response to the question, "Who is Sir John A. Macdonald?" 70 per cent of the children said that he owned a restaurant chain. I guess that's not too good for Canadian history, but it is funny to laugh about. When the paper asked me for a quote, I said, "That means we only have 30 per cent to get."

The appreciation of the audience was expressed by Peter Hermant, Past President of The Empire Club of Canada.

APRIL 14, 1983

The Critical Issues with Respect to Energy Policy in Canada Today

AN ADDRESS BY The Honourable Jean Chrétien, P.C., M.P.
MINISTER OF ENERGY, MINES
AND RESOURCES

CHAIRMAN The President,
Henry J. Stalder

MR. STALDER:

Distinguished members and guests, ladies and gentlemen: We have had the pleasure of welcoming the Honourable Mr. Chrétien twice already – once on October 16, 1969, as Minister of Indian Affairs and Northern Development, and again on January 17, 1980, as Opposition critic for federal-provincial relations.

Now, in 1983, he comes to visit us as Minister of Energy, Mines and Resources, the stepfather to the National Energy Program.

And now he even makes us pay for our PetroCan litres with a smile. I tried it once with only a smile, but they wanted cash as well. Never mind, his is a fine ministry and a well-organized one. Making it apparent, the office IN sign says, "Watch your step," and the OUT sign says, "Watch your language."

That is why I shall not say any more, and just comment on our guest of honour. He is a relatively young man with a relatively long political career of twenty years in the House of Commons and he is (a) a survivor, and (b) loved and respected by the constituents of St. Maurice.

To describe this son of Shawinigan, allow me to recite the eleven jobs he has held until now, hoping that I somehow do his accomplishments justice. In the past, the Honourable Jean

Chrétien has been Parliamentary Secretary to the Prime Minister; Minister of State to the Minister of Finance; Minister of National Revenue; Minister of Indian Affairs and Northern Development; President of the Treasury Board; Minister of Industry, Trade and Commerce; Minister of Finance; Minister of Justice and Attorney General of Canada; and Minister of State for Social Development. Currently, he is Minister of Energy, Mines and Resources. Ladies and gentlemen, please welcome our guest of honour, the Honourable Jean Chrétien.

MR. CHRÉTIEN:

Mr. Chairman, ladies and gentlemen: I am pleased to be here to speak about some of the critical issues with respect to energy policy in Canada today. Earlier this week in Calgary I reminded people that the past two or three years have been unsettled, not only in energy terms, but in terms of visceral questions dealing with the fundamental nature of our country – from the Quebec referendum to the long, drawn-out constitutional debate. And as a country we resolved those issues very well.

I believe that it is now time for reconciliation, for settling down, for healing, for renewal, and for stability. And this is the objective I have been pursuing in my role as energy minister over the last seven months. I must say that I am particularly gratified by the degree of willingness on the part of the industry across the country, and on the part of the producing provinces, to work with me to meet the objectives we have established for ourselves and for our country. These objectives are:

1. *energy security*, which means not having to depend on imported oil;
2. *fairness*, which means sharing in a truly Canadian way the energy benefits and burdens; and
3. *opportunity*, which means having Canadians play a growing role in their energy industry.

Meeting these energy objectives is not an easy task. It will require the co-operation of industry, of governments of producing provinces, of governments of consuming provinces, and of consumers in general. In the past, our policies as a federal government have been controversial. I do not intend to dwell on the controversies. Rather, I would like to reflect briefly on one major aspect of our policies – that of oil and gas pricing – and then I want to speak about where we go from here in this regard.

In a very real sense, the world as we knew it changed abruptly in 1973–74. The shock of OPEC price increases beginning ten years ago changed the international economic order and has been the major contributing factor in our weak economic performance, including high inflation and high unemployment around the world.

Over the course of the last ten years, the government of Canada made a conscious effort to protect Canadian industry and consumers against extraordinarily sharp increases in international energy prices. We have tried to ensure a gradual adjustment to higher prices. In order to do this, the producers and the producing provinces have had to forego revenues which would otherwise have accrued to them.

In terms of protection to the consumer from the shock of rapidly rising energy prices, our policies over the last ten years have been very successful. Since the inception of our pricing policies, the cumulative benefits to the consumer, as measured by the difference between world prices and ours, is $46 billion. To the average household, this has meant a saving of $1,850 in heating oil and gasoline costs, while the average farmer on the prairies, for example, has saved $8,200 on his oil costs. Over the same period, the Canadian airline industry has saved at least $1.3 billion. And, in the last five years, a Canadian world-scale petrochemical plant using oil as a feedstock has saved $525 million.

These, then, are a few examples of concrete consumer and industrial benefits from our policies. Moreover, we are doing more than any other major country to give oil consumers an opportunity to switch to cheaper and more plentiful energy sources such as natural gas and electricity.

These benefits to the consumer accrued during a period when the oil industry's cash flow was steadily increasing, and when revenues of producing provinces were growing by leaps and bounds as a result of steadily increasing prices. Now the world situation has changed drastically again.

What were the expectations when we installed our present pricing system back in September 1981? The framework assumed steady growth of international oil prices through the course of the 1980s and 1990s. When these policies were put into place in 1980 and 1981, this view was held not only by the federal government and the government of Alberta but by virtually every analyst closely involved in decision-making in the energy industry in Canada and abroad. The best advice we had two years ago – and it was nearly unanimous around the world – was that oil prices were going to continue to rise significantly.

But as you are well aware, over the past eighteen months conditions in the international oil marketplace have changed dramatically. Not only have rapid increases been halted, but international prices have begun to decline by significant amounts.

Since I do not have a crystal ball, I will not try to predict what will happen to world prices over the next few months or the next few years. I will not get into the game of forecasts. However, I would say that we are likely to be in for a period of continuing uncertainty, especially over the next few years.

Changes in both the perception and reality of international oil markets have led to a number of anomalies in our current policy framework. It certainly appears to me that the fairness of our current system has been affected by declining world oil prices. The deal worked well while oil prices were rising, and, even when that rise was halted, the basic objectives of our system remained fundamentally intact.

Lower world oil prices, however, have produced problems that must be addressed. We want benefits from lower prices, but we must at the same time ensure the health and viability of the producing industry in Canada. We cannot afford to lose sight of the fact that many thousands of Canadians are dependent upon the producing industry for employment. And we need a healthy industry to ensure energy security for the future.

I will, therefore, be reviewing our current pricing and revenue régime, paying particular attention to the issue of fairness. It is possible that this review may generate some changes to the system. These changes may be only minor adjustments to get rid of the anomalies. It is conceivable, however, that we may require more fundamental adjustments to realize our goals, to achieve a fair national balance.

In undertaking this review, I intend to continue consulting with industry, with producing provinces, and with consuming provinces, as I have been doing ever since I became Minister of Energy. What I hear from Canadians will help me and my colleagues in the decisions we have to reach. We have some time. Our current system provides us with an ongoing framework through mid-summer. This should give us the opportunity to discuss, to debate, and to decide. But we must also use the opportunity to find a solution that is acceptable to all parties concerned. As early as July 1 of this year, decisions with regard to our pricing system will be required. Between now and then, I am open, interested, and anxious to review our problems with all interested parties.

This government has been, and remains, committed to providing a secure supply of energy to consumers at reasonable prices. Second, and just as important, we want a system that is fair to producers, to investors, to all levels of government across the country, and to all users of energy. I am aware that all of these interests cannot be fully satisfied. All interests must compromise.

Let me now set out four options which Canadians should consider before governments make decisions. I want to be clear that I am cataloguing options which have been discussed in public by various interest groups. The cabinet has not yet

The Honourable
Jean Chrétien,
Minister of Energy,
Mines and Resources

discussed them; in fact, I have not even asked my colleagues to do so. Before I make recommendations to my colleagues, I want to hear the views of interested parties. I am clearly not in a position to suggest what my reaction would be to any of the options for change to existing policy, other than to say that they should be discussed.

First, as you know, most oil produced in Canada receives a price considerably lower than the international price. This so-called old oil price is limited by a cap of 75 per cent of the world price according to the 1981 agreement between the federal government and the government of Alberta. This has allowed Canadian consumers to enjoy advantages over consumers in most countries. At the same time, regular increases in the price for old oil have strengthened producers' cash flows. However, the decline in world prices recently has produced a situation whereby not only would the price for old oil be capped at 75 per cent by this summer, but where, according to our interpretation of the agreement with Alberta, the price should be rolled back, with the resulting benefit to consumers.

The rollback option I am describing would produce great spinoff benefits for nearly all sectors of our economy – for farmers, businessmen, factory operators, and airline companies alike.

But there is a downside, and that is the fact that lower prices caused by a rollback would reduce revenues to producers. If this happens, producers may well be less able to pursue further development of Canada's resources, and, in the long run, this might result in greater dependence on foreign sources of supply.

There is a second option and that involves changes to, or the elimination of, the 75 per cent cap. Alberta's interpretation of the agreement on pricing would prohibit any decrease in the old oil price and would effectively freeze current prices. The consumer would benefit less than from a rollback, but yet would see lower prices at the pumps as certain federal taxes would be reduced (and of course prices of imported oil would be less). While I do not necessarily agree with this option, it is legitimate and should be discussed.

A third option, which would increase the cash flow to producers, would be the extension of the world price to more categories of production while still maintaining a redefined old oil category at 75 per cent of the world price.

The fourth and most radical option is that of decontrolling the price of Canadian oil so that domestic prices would be set at world levels. This option would have been unthinkable to me if world prices had continued to rise. To be frank, it presents great political difficulties, since the government is committed to keeping the Canadian price below world price. But this commitment was made in the context of rising world prices, not in the context of the world price coming down towards the level we had contemplated for the Canadian price.

Decontrol in the present context would mean a marginal increase in oil product prices. But it should be recognized that the Canadian price would be going up, however marginally, when prices around the world are coming down, albeit from higher levels. Decontrol would mean more revenues for producers and more revenues for governments to offset against their deficits, but these additional revenues would come from the pockets of consumers and might hurt the competitive position of some of our industries. Decontrol would also mean the dismantling of a highly complex regulatory system.

While I remain to be convinced that decontrol is the preferred option, it is one that should be discussed and debated. But we must not forget our commitment to protect consumers if world prices rise sharply once again. I know that the Opposition in the House of Commons often charges that Canadian oil prices are worse than decontrolled prices – that they are above world levels. And although the point with respect to crude oil is incorrect, it is possible to prove the Opposition's point on prices if you carefully pick the oil product (gasoline products, for example), and the state and province for comparison. The problem here is largely the amount of ad valorem taxes on gasoline imposed by the consuming provinces.

From a political point of view, it is extremely frustrating to establish federal policies designed to give consumers a break, only to have the consuming provinces move in with their retail-level taxes and soak up the advantage we extended to consumers.

In Quebec, for example, the provincial tax is 40 per cent and gasline at the pumps is 8.3 cents per litre more expensive than in the state of New York. In Ontario, the provincial tax is not 40 per cent but 20 per cent, and gasoline is 4.6 cents more expensive per litre than in New York.

I am concerned about the fairness of our policy towards producing provinces when provincial governments in consuming provinces tax away the benefits to the consumer, and I will have to take this into consideration in my decision on pricing policy.

In summary, I believe I have set out in a very frank way the options facing the government. Normally, major policy options are examined in secret. I hope my initiative will be regarded as a positive contribution towards an important national debate.

I have a further point to make before I finish and this deals with natural gas, since lower oil prices are also causing problems with the domestic price of gas.

Our agreement with Alberta provides for regular increments to the Alberta border price for natural gas every six months, whether or not the price of oil changes. For consumers, the federal government is committed to lowering its excise tax on gas to maintain natural gas prices at 65 per cent of oil. There was an increase in natural gas in January and on February 1 we did this; we dropped our tax almost 30 per cent.

However, with lower oil prices, the government of Canada alone is running out of room to manoeuvre. It now appears that unless oil prices rise, the federal tax on natural gas will be reduced to zero in the near future. I know that producers, and producing provinces, appreciate the importance of keeping gas prices market-oriented. Gas prices must be attractive relative to oil, electricity, and renewables to protect and expand market share. Many Canadians see natural gas as a serious energy option and we *all* want to keep it that way.

Producers, consumers, federal and provincial governments, all benefit when natural gas maintains and expands its markets in eastern Canada. It is important to remember that last year gas sales into the Ontario and Quebec markets nearly equalled total export sales. This situation can only be maintained and strengthened as long as the price for natural gas remains attractive relative to the price of oil.

The government of Canada's options on natural gas pricing are extremely limited at this time. We believe that it is in the interests of all parties that the current regime for establishing the border price for natural gas at Alberta is reviewed. Of course, the implications for government revenues and consumer prices on natural gas are similar to the implications for oil. Consumers would benefit if the price of natural gas were constrained to its current relationship with oil.

Finally, the weakness in world markets has important implications for Canada's position regarding trade in energy. As you know, I took steps this week to help Canada's gas producers sell more gas in the United States. By lowering the export price of gas, from $4.94 (American) per billion BTUs to $4.40 per million BTUs, we have reflected the recent changes in the world oil market.

In so doing, we have made our gas relatively more attractive in the American market, a market that was worth more than $4.7 billion to Canada last year. We are closely watching market trends in the United States. As a secure and reliable, long-term supplier of gas to the United States, we want to keep our market share. That is why my officials are now working with the industry and the producing provinces on the concept of an incentive price aimed at maintaining and expanding our markets in the United States.

At the same time, we know that our American friends recognize that we are willing to do our part, and that we have been very flexible in terms of price. Others must also be flexible. Our gas trade is one of mutual long-term interest. We recognize this, and we are examining future measures to enhance the position of Canadian gas in the American marketplace. However, there are limits to Canada's flexibility. I do not want to see Canada's gas industry jeopardized. It is now up to American importers to do their part, to observe existing contracts with Canadian exporters.

When we look at the question of exports, the importance of maintaining a secure supply of energy for Canadians in the future continues to be our government's overwhelming concern. Nevertheless, I recognize that the development of new sources of supply depends upon access to markets. If availability of Canadian oil and gas exceeds our foreseeable requirements, our options are either to keep the surplus in the ground or to look for new markets abroad. Shutting in surplus supplies not only reduces revenue to producers, it also discourages the development of new sources of supply.

We must find a way to ensure both the viability and continuity of exploration and development and Canada's long-term requirements for energy. We must protect Canada's national interest. But we also must ensure that we have enough oil and gas for future generations of Canadians. This means we have to have fair access and fair prices for our energy surpluses.

I remain convinced that Canada's so-called problems can be solved. Only through close co-operation – co-operation between us and producer governments, between governments and industry, and between industry and consumers – can we expect to solve the dilemmas that face us today as a result of new international uncertainty and the numerous options that our energy resources open to us.

We have great opportunity, great challenge, facing us again. We are always faced with some difficulties. I have to confess to you that I had not planned on having the problems of adjusting the price of oil and gas in today's context. Last September when the cabinet was changed, I was asked where I wanted to go. I said energy because I thought it would be peaceful. After two and a half years of doing the referendum and the constitution, I wanted something that would take me to western Canada and to the Maritimes once in a while, something where I wouldn't be fighting any more with Quebec or the other provinces. And now suddenly, I am faced with this difficult problem.

It is an illustration of how volatile the world scene is today that we are constantly faced with new challenges. We should not be afraid to take them on. In the past few years we have faced some fantastic challenges that now we have forgotten about. This is very much the Canadian way.

Three years ago almost to the day we faced the referendum in Quebec. We didn't know then whether our country would survive. From day to day we watched that situation wondering what the result would be. And now it's been solved, it's history and nobody remembers.

In Calgary the mood is not great these days. Westerners had a good time for many years, but now it is getting a bit tougher, but the Chamber of Commerce in Calgary has a slogan: "Yes, we can."

In Canada, we can all say, "Yes, we can." There is no country that is better than our country. We have come a long way. Look at yourselves and your backgrounds. Half of you – three-quarters of you – have been in the cities for only two generations. Many of you have come from different nations. We have all come a long way.

"Yes, we can." Yes, as Canadians, we can do even better. But in order to do that we have to develop a sense of participation, a sense of contribution. Every citizen in this country has to realize that we are all patriots. We will all make our own contributions. Canada, ladies and gentlemen, is still the best. *Merci beaucoup et bonjour*.

The appreciation of the audience was expressed by Terrence Tyers, a Director of The Empire Club of Canada.

APRIL 21,
1983

Ontario's Place in World Agriculture

AN ADDRESS BY The Honourable Dennis R. Timbrell
MINISTER OF AGRICULTURE AND FOOD,
PROVINCE OF ONTARIO

CHAIRMAN The President,
Henry J. Stalder

MR. STALDER:

Distinguished members and guests, ladies and gentlemen: Mr. Minister, when I tried to analyze your department, I came to the conclusion that it can be both heaven and hell. Then I found definitions for heaven and hell, and here they are:

> In heaven, you have a British policeman, a French cook, a German mechanic, an Italian lover, and a Swiss administrator; and in hell, you have the same people – filling each other's functions: thus, you have a German policeman, an English cook, a French mechanic, an Italian administrator, and a Swiss lover.

However, our guest of honour and I are both lucky today – he because he is being introduced by me and not by his critic, Orland French, of *The Globe and Mail*; and I because I am introducing Dennis Timbrell, rather than Eugene Whelan.

This being said, we are in the midst of controversy. Canagrex has claimed to have solved the jobless situation in the Canadian agriculture sector by stipulating that five men are now needed to milk one cow. One pragmatic farm hand wrote to Ottawa diligently hinting that any normal cow has only four teats. He got an answer stating that he had missed the entire point. One man is still needed to milk but also one man per leg to lift the cow and put her down again.

Today, we are in the ninth inning of the 1982–83 year of The Empire Club and, again, we are in politics. For me, it is getting harder and harder to find good quotes. However, last weekend I read Aristotle once again and I found this quotation, "Morality and statesmanship must concentrate on *pleasures and pains*." Our guest of honour is minister for the fourth time. He has not given us any particular pains but we have also not yet had the ultimate pleasure – to see him as premier. Ladies and gentlemen, please welcome our guest of honour, the Honourable Dennis R. Timbrell.

MR. TIMBRELL:

Mr. Chairman, ladies and gentlemen: Mr. Stalder in his introduction hinted at my past experience in the Ministries of Health and Energy. My appointment to the Ministry of Agriculture and Food last year surprised a few journalists . . . and that alone may have made the exercise worth while. But I know the question has occurred to many of you – "Why would a fellow from Don Mills want to take on the agriculture ministry?"

Well, the fact is, I asked the premier to consider me for the job because I feel some excitement about the problems of agriculture today and I felt that these problems would benefit from a fresh approach. Agriculture excites me because it isn't an old-fashioned industry. It has gone through some remarkable changes in the past fifty years and I think it is facing its most critical test right now.

When my grandfather was farming in Frontenac County in eastern Ontario, there were over 185,000 farms in Ontario. Today, there are only about 83,000. At the turn of the century, one farmer could produce enough food to feed himself and twelve other people. Today, he feeds himself and ninety other people. The fact that he is able to do this is, of course, due to the sweeping advances made in research and technology over the past one hundred years.

The first major change of the century was the pre-World War II mechanization that pushed so many people off the farm and into the cities. Then came the huge productivity gains created by fertilizers, pesticides, tile drainage, science-based husbandry, and sophisticated food-processing. These changes have led to the fact that in 1981, there were over a million acres more land in this province under cultivation than a decade before. The next wave is coming from biotechnology and computerized management systems.

Our farmers today are a well-educated group of risk-takers who have learned to take their place in the international market. They go to university, and they go in greater and greater numbers to the agricultural colleges run through my ministry. They study finance, genetics, and engineering. Every graduate of our colleges has experience with computers. And when they take over their farms, the capital investment they work with puts them in the same league as a respectable-sized factory. Some of the farmers I've met during the past fourteen or fifteen months don't even own a pitchfork. They stand at a control panel that looks like something out of the Pickering generating station and quote daily cash prices for beef in Omaha.

I think it's time we stopped treating agriculture as if it were some kind of a dull and distant cousin. It isn't a regional problem, or a cultural concern – it's an integral part of the industrial framework of this province and this country. We can't overlook it simply because it's been around for a long time.

Agriculture in Ontario is a Canadian success story. Ontario now handles over 40 per cent of all the food processed in Canada, with factory shipments in food and beverages totalling approximately $11 billion a year. Ontario honey can be found at Fauchon's in Paris. We are now a major supplier of pork to Japan, where the quality requirements are very demanding. The outstanding quality of our dairy breeding stock is widely recognized around the world. Last weekend, one hundred Holstein and Jersey heifers were loaded onto a plane bound for King

Faisal University in Saudi Arabia. Last November, we achieved a breakthrough in the export of grain corn, when a boatload worth $8.5 million was sent to Spain. In fact, we have missions going all over the world searching out and capitalizing on any market anywhere for agricultural products of this province.

There is no better analogy to give us confidence in the Canadian economy than the entrepreneurial instinct that animates our farm sector today. Agriculture, just like our finance and manufacturing industries, is very much a part of the changes taking place in the economy. It is being run by talented individuals who are proud of the contribution they are making to this province as dollar-earners and job-creators. And as in every other industry, farmers have taken a beating during the past two years of recession. They can see as well as you can that fundamental and permanent changes are occurring in the market place. We are not simply emerging from another downturn of the business cycle.

Traditional industries in our economy are being threatened by more than just a lack of capital, or excessive government regulation, or deficits, or powerful unions. The problem goes deeper, into the very structure of the economy itself. Robert Reich, the Harvard professor and author of *The Next American Frontier*, makes the point that Western industrial nations have built their economies on the principle of high-volume, scientifically managed industry generating huge economies of scale and raising standards of living to unprecedented heights. Now, these traditional industries are losing their competitive edge to less-developed countries who can take the same technology and use cheaper labour and raw materials to produce the same products for a fraction of the cost. Reich warns that unless industry undertakes some basic changes in its organization of production, unemployment will remain high and the American standard of living will continue to decline.

High technology and the development of a capability as an exporter of high tech is one highly touted response to the problem. Of course, the survival of all our industries demands that we employ the most up-to-date world-quality production tools and processes. That is the heart of our government's Technology Centres' Program through the board of industrial leadership and development.

But beyond that, responding creatively to the new rules of the game will mean that each nation must take a careful, honest, and hard look at what it is good at, and decide what strengths exist in its traditional industries and its resource base as well as in its new industries. If you have a comparative disadvantage in making anything, high tech won't solve the problem.

Japan is one of the fast learners in the classroom. In the past ten years, Japan has actually reduced its domestic steel-making capacity and has, instead, become a major exporter of steel-making technology, engineering services, and equipment. Canada, however, also has many advantages in its existing industrial framework. Furthermore, we have the success stories to prove it. We also have a highly sophisticated and smart labour force. One of the satisfactions of having invested billions on education in the past twenty-five years is the remarkable pool of human talent we have created in the process. As well, our health-care system and our electrical grid are recognized leaders internationally and are backed up by technical and professional resources that are the envy of the world. We're very good at these things . . . and we're good at agriculture too.

Nature has provided us with a clear, competitive advantage. Simple geography dictates that Canada, the United States, Australia, and Argentina are among the top food-producing countries in the world. While strides will be made in agriculture and other technologies by the Japanese or the West Germans or any of our world competitors, unless we lose sight of who we are and what we're good at, we will remain leaders in food production.

So let's work with the reality that agriculture will play a large role in our strategy for dealing with this growing burden of change. And as we build our strategy, we will have to avoid a general retreat to the solutions of the past.

The simple response to Reich's problem would be high tariffs and a return to protectionism. Of course, as your government we could not shirk our responsibility to stand up for the competitive future of, for example, Ontario's automotive industry. Our support for voluntary, temporary quotas on Japanese auto imports may have offended free-trade purists, but it is not responsible government to play dice with so many people's futures. That being said, the consensus across the country among our eleven senior governments is clearly toward freer trade and this is a long-term course to which we remain committed. This then leaves productivity, trade, export, and industrial change as our only realistic means for achieving recovery.

The president referred to a proposal by the federal government to deal with the problems of agricultural trade – Canagrex. Canagrex, it is proposed, will bring under one roof all of the federal government departments involved in agricultural trade to achieve a better co-ordinated national effort on the international scene and I applaud that. I take issue, however, when the federal government proposes to give Canagrex the power to buy and sell. The establishment of another federal Crown corporation with the power to intervene and manipulate the private sector is something I do not and will not support.

Not long ago, I was listening to an economist talk about the "permanent benefits of recession" as though the episode we are going through has somehow been good for us, strengthened us, and made us better citizens. But while I believe it has been important for Canadians to adopt realistic expectations and for business to become as efficient as possible, I don't think there is anything particularly virtuous about unemployment or personal bankruptcy. In fact, I get really irritated when I hear that sort of thing. When a theoretician talks confidently about the therapeutic effects of recession, it strikes me as the kind of confidence that is supported by tenure and an income well to the right of the national average.

The monetarists may have held us back from the brink of hyperinflation but the costs of that battle have been overwhelming. The problem with traditional economics as practised by the central banks is, as we all know, that it doesn't nab the people who abuse the market, just the ones who work in it. It keeps the honest honest. And many of those honest people are getting fed up.

It weighs on me when I see more than one and a half million people in this country out of work, half of them in their forties and fifties, trained for work in companies that can't be resuscitated... and the other half are recent graduates. I can't accept that just because you're on the tail end of the baby boom you haven't got a right to a job. I'm shocked by the complacency in this country that says we're stuck with 10 per cent unemployment for the rest of the decade. While I acknowledge that Mr. Lalonde's budget this week contained some positive measures and a better sense of direction than we've had up to now, I am disturbed by his acceptance of continuing high unemployment.

One thing is clear though, and that is that there isn't a violent debate going on about the size of government. We are proud that Ontario's government is the lowest-spending government and the only government that I know of that has, in fact, cut its civil service. The issue *isn't* whether we are over-regulated or whether the deficit is too high. These points have been settled. The Conservatives in the population have, after all, won a *few* arguments in the past ten years. The issue is productivity and how to manage the system in changing times.

The question I am addressing is what we have learned over the past few years and how we can avoid stepping into the traps a second time. There has been a level of divisiveness in the public arena in the past that has eaten up a lot of valuable time, so it really isn't surprising that economic policy has been treated so erratically. We spent a good part of the last half of the seventies in a fight about our political unity. We cannot spend another

The Honourable
Dennis Timbrell, Minister
of Agriculture and Food,
Province of Ontario

decade on a debate that produces so little result. We have seen that confrontation politics leads to inattentiveness to our economic options and can send us down a series of economic dead ends. We can't wait until over one and a half million people are unemployed before we start looking for solutions.

I think the new budget offers a sign that the federal government is learning from its past mistakes. Let us hope that Mr. Lalonde is making not only an investment in the economy, but also an investment in a more mature and thoughtful discussion of our problems. If this budget represents a step away from the cyclical swings in ideology which have been the hallmark of political economy in Canada for the past fifteen years, then it is certainly a welcome sign. It's not that there haven't been any good ideas in Ottawa in that time. It's just that we haven't stuck to one long enough for us to produce any solid results.

But I see evidence that we are learning from our mistakes and I suppose that's what makes me an optimist. I see a growing instinct for co-operation in interprovincial negotiations. Working with the provincial ministers and major commodity groups on the farm-income stabilization program, we were able to achieve a quick and gratifying consensus which shows that working together is possible, when we want to do so.

And I see a new understanding of the size of the task ahead of us. The World Health Organization tells us that eight hundred million people live in a state of semi-starvation today. By the year 2000, two billion new people will be with us, mostly in the Third World. For their sake, we have a moral obligation to ensure that our agricultural sector is the most efficient in the world.

During the past ten years, food production per capita actually fell in fifty-one developing countries. The Food and Agriculture Organization of the United Nations predicts that, in Africa, demand will continue to grow faster than production until the end of the century. It will be up to us to fill this growing gap. Food exports from developed countries will have to double over the next twenty years. We have the capacity to meet that challenge.

More than this, we will have to expand our research base. We are very good at fine-tuning our crops for marginal soils and unfavourable climates. We have a lot of expertise to contribute to the problems in developing countries and I'd like to see us exporting some of it. After all, if the Japanese can do it in steel-making, why can't we do it in agriculture?

I believe that Ontario, as representing Canada's most significant and diversified economy, will be called upon once again to assume a leadership role in shaping this country's future. The measure of our success will be our ability to maintain the momentum that is building now in support of the politics of common purpose and understanding. Agriculture is a perpetually renewable resource, which will be an even stronger force in our future.

The appreciation of the audience was expressed by Colonel Robert H. Hilborn, a Past President of The Empire Club of Canada.

APRIL 28, 1983

President's Report — Annual General Meeting

CHAIRMAN The President,
Henry J. Stalder

MR. STALDER:

Mr. Minister, distinguished members and guests, ladies and gentlemen: Paragraph 2 of Article VI of the club's constitution requires us to hold an annual meeting no later than April thirtieth in each year, at which the report of the year's proceedings and work shall be submitted by the president. In the interests of time I do not propose to give you my report orally. It has been printed and copies have been placed before you.

During the past year, I did strive to cover the broadest possible spectrum with speakers in everything from art – A.J. Casson gave us his reminiscences of the Group of Seven – to politics – we heard from the Honourable Gordon Walker, Ontario's Minister of Industry and Trade, the Honourable Dennis Timbrell, provincial Minister of Agriculture, the Honourable Claude Bennett, provincial Minister of Municipal Affairs and Housing, and the Honourable Jean Chrétien, the federal Minister of Energy, Mines & Resources. We heard about theology from the Most Reverend Edward Walter Scott, Primate of the Anglican Church of Canada, and about business and finance from Dr. F. Leutwiler, President of the Swiss National Bank, entrepreneur Peter Pocklington, Dr. Robert M. MacIntosh, President of the Canadian Bankers' Association, Thomas d'Aquino, President of the Business Council on National Issues, Lyman MacInnis, President of the Institute of Chartered Accountants, and author Walter Stewart. The season's first speaker, the Honourable Peter Lougheed, Premier of Alberta, talked to us about "New Directions for the

Canadian Economy," a theme carried on later in the year by other speakers such as the Honourable Joe Clark, leader of the Conservative Party, Hugh L. Macaulay, Chairman of Ontario Hydro, and the Honourable Victor Schroeder, Manitoba's Minister of Finance. We were addressed by two oil company executives: Radcliffe Latimer, President of TransCanada PipeLines Ltd. and Donald K. McIvor of Imperial Oil; and the international scene was touched upon by Dr. Kazimierz Sabbat, Prime Minister of the Polish Government in Exile, and His Excellency Dr. Alexander N. Yakovlev, ambassador of the USSR to Canada. I know that these and other speakers made this past year a memorable one for all of us.

We have managed to keep the club's accounts prosperous despite a year of financial upheaval. I move the acceptance of this report, and in doing so I would like to express my gratitude for the honour bestowed on me of presiding over this distinguished club.

May I have a seconder for this report? (Seconded by Mr. Gordon Steele and adopted by the membership.)

It is now my privilege to put forward the following motion: whereas it is desirable and in the best interests of the club to amend the constitution of the club to provide for the appointment of the honorary chairman, now, therefore, be it resolved that: Paragraph 1 of Article IV be repealed and the following substituted therefore:

1. The officers shall consist of an honorary president, an honorary vice-president, an honorary chairman, a president, first, second, and third vice-presidents, a secretary, and a treasurer. The board of directors may from time to time elect or appoint such other officers as it shall deem necessary. The president and the vice-president shall be directors of the club but other officers need not be directors. No person other than the honorary president, the honorary vice-president, and the honorary chairman shall be eligible

> for office unless he is a member in good standing. The president shall, when present, preside at all meetings of the members and of the board of directors. During the absence or inability to act of the president, the vice-presidents in order of seniority shall act as chairman at such meetings and otherwise perform and exercise the duties and powers of the president.

May I have a seconder for this motion? (Seconded by Mr. Patrick Boyer and adopted by the membership.)

It is now my pleasure to call on Brigadier General Steven Andrunyk, O.M.M., C.D., the chairman of the nominating committee, to present the report of his committee.

BGEN. ANDRUNYK:

Mr. President, distinguished guests, members and friends of The Empire Club of Canada: It is my great pleasure, as Chairman of the Nominating Committee, to report on the work of the Nominating Committee which was constituted, in accordance with Article III of the Club's Constitution, of the following members:

From the Board of Directors
Brigadier General S.F. Andrunyk, O.M.M., C.D.
Miss Sarah A. Band
Mr. J. Patrick Boyer
Brigadier General R.W. Lewis, C.D.
Mr. Harry T. Seymour

From the Membership at Large
Colonel R.H. Hilborn, M.V.O., M.B.E., C.D.
Mr. Peter Hermant
Mr. William M. Karn
Major General Bruce J. Legge, C.M.M., E.D., C.D., Q.C.

Our President, Mr. Henry J. Stalder, served on the Committee in an ex-officio capacity.

The Nominating Committee is pleased and privileged to report that the Honorary officers of the club for the 1983/84 season will be:

Honorary President – His Excellency the Right Honourable Edward Schreyer, C.C., C.M.M., C.D., Governor General of Canada
Honorary Vice-President – Captain (N), the Honourable John B. Aird, Q.C., O.C., Lieutenant-Governor of Ontario
Honorary Chairman – His Excellency, the Right Honourable D. Roland Michener, P.C., C.C., C.M.M., C.D., Q.C., former Governor General of Canada. We are indeed pleased that Mr. Michener, a distinguished Past President of this historic club and a staunch supporter of its purposes, has honoured us by accepting our invitation to serve in this capacity.
Honorary Chaplain – the Very Reverend Ernest M. Howse, S.T.M., PH.D., D.D., LITT.D.
Honorary Secretary – Mr. Willis Blair
Honorary Treasurer – Mr. Marvin Gelber
Honorary Solicitor – Mr. H. Allan Leal, LL.M., LL.D., D.C.L., Q.C. We are grateful to Mr. Leal, a distinguished Past President of this club and a man learned in the law, who has been kind enough to agree to serve as our Honorary Solicitor, replacing the late Mr. John P. Robarts.
Honorary Assistant Secretary – Mr. George O. Stafford

The Nominating Committee is also pleased to report that Mr. J. Patrick Boyer will continue to be our Secretary and that Mrs. Diana Chant has kindly consented to be our Treasurer. Mr. Leland H. Ausman will continue to serve as the Club's archivist and Mr. A. Carlyle Dunbar will be the Editor of the Empire Club Yearbook.

According to our Constitution, "the Board of Directors shall consist of forty members, including at least four Past Presidents of the club, one of whom shall be the Immediate Past President and three others shall be the three Past Presidents immediately preceding the Immediate Past President."

Due to our incumbent President's resignation from the Board of Directors because of is imminent departure for Australia, it is the Committee's decision to nominate his immediate predecessor, Brigadier General S.F. Andrunyk, O.M.M., C.D., and also Brigadier General R.W. Lewis, C.D., Mr. John A. MacNaughton, and Dr. Reginald Stackhouse to continue serving on the Board as the four Past Presidents.

Your Nominating Committee is happy and privileged to recommend unanimously that the following members of the Board of Directors continue to serve in the coming year:

Mr. Setrak Adourian
Miss Sarah A. Band
Mr. Robin J.T. Chetwynd
Mr. Jerry A. Collins
Dr. Clarence B. Crummey, M.D., F.C.F.P.(C)
The Honourable Barnett J. Danson, P.C.
Miss Lorraine Gotlib, Q.C.
Colonel Paul A. Hayes, C.D.
Mr. John D. Herrick
Mr. Charles C. Hoffman
Mr. John P. Macbeth
Miss Nona Macdonald
Mr. W. Malcolm McIntyre
Mr. Ian D.C. McPhail
Mr. Michael A. Meighen
Dr. James A. Parish
Mr. Leslie C. Parkinson
Mr. Bruce Rankin
Rev. Harold F. Roberts
Mr. R.A. Robertson
Mrs. Margaret Scrivener
Miss Lindsay Shaddy

Mr. Gordon G. Steele
Lieutenant Colonel Hugh P. Stewart, C.D.
Mr. Terrence Tyers
Mr. J.A. William Whiteacre, M.M., C.D., Q.C.

Your Nominating Committee is pleased to nominate unanimously the following new members for the Board of Directors:

Mr. Richard Bennetts, President of Mary Kay Cosmetics
Mr. Paul Clark, Burns Fry Limited
Mr. Ronald Goodall, Partner, Goodall and Peacock, who served as the club's Treasurer for many years
Mr. Dennis Madden, Vice-President, Royal Trust
Mr. Jean Pierre Scheidegger, President and Chief Executive Officer, UBS Canada
Mrs. Jean Casselman Wadds, member of the Royal Commission on the Economic Union and Development Prospects for Canada and former Canadian High Commissioner to the United Kingdom

In addition to the above-named nominees, your Committee also recommends the election to the Board of the following three persons who will be proposed to the Board of Directors for appointment to the posts of Vice-President:

First Vice-President – Miss Catherine R. Charlton
Second Vice-President – Mr. Harry T. Seymour
Third Vice-President – Mr. Montague Larkin, C.A.

Finally, your Committee is delighted to nominate for the Presidency of The Empire Club of Canada for its 1983–84 season, Mr. Douglas L. Derry, F.C.A., a partner in Price Waterhouse.

Unlike his two predecessors, Mr. Douglas Derry is a native Torontonian. He was born and raised in Toronto, completing his secondary school education at Trinity College School. After graduating from the University of Western Ontario with an honours degree in Business Administration, he joined Price Waterhouse in 1968 and was admitted to partnership in 1979.

Mr. Derry has considerable experience in providing accounting and auditing services to a broad range of clients, particularly to chartered banks. He is co-author of three published articles on the implications of Canada's 1980 Bank Act revision. He has also been active in the educational activities of the Institute of Chartered Accountants of Ontario, having served as Chairman of the examinations and education committees. At present he is Chairman of the doctoral candidate support selection and professional schools of accounting assessment committees. In recognition of his contribution to the accounting profession, Mr. Derry was elected a Fellow of the Institute of Chartered Accountants of Ontario in 1982.

Mr. Derry has been a Director of the Empire Club since 1975, and during that time he has chaired the head table, membership, and audit committees.

He is an active community worker; a director of the Writer's Development Trust and a past director of the Centennial Nursery School for Retarded Children.

Ladies and gentlemen, I am very pleased and honoured to place Mr. Douglas L. Derry's name in nomination for the Presidency of The Empire Club of Canada. Your Committee is confident that he will provide the capable leadership that has been the hallmark of presidents of The Empire Club of Canada since it was founded in 1903.

This concludes the report of your Nominating Committee and I have the pleasure to move that it be accepted.

The report presented and moved by Brigadier General Andrunyk was seconded by Mr. Sydney Hermant. Dr. James Parish moved that nominations be closed and Mr. Carlyle Dunbar seconded that motion. After an oral vote in favour of the motion, the club's secretary, Mr. Patrick Boyer, cast a single ballot in favour of those people named in the report of the nominating committee.

MR. STALDER:

I am pleased to extend my sincerest congratulations to our President-Elect, Mr. Douglas Derry, F.C.A. I now pass to him the chain of office and I invite him to address the club.

MR. DERRY:

Mr. President, Mr. Minister, members and guests of The Empire Club of Canada: It is an honour and a pleasure to be standing before you as President-Elect of the Empire Club. Our club has fulfilled a distinguished role in Canada's history as an outstanding forum for the most informed speakers of the day, addressing a wide variety of issues of importance to Canadians. I certainly hope that I will be as successful as my predecessors in carrying out the responsibility of seeing that this fine purpose continues to be fulfilled. I look forward to the challenge and know that I will have the full support of your newly elected directors in carrying it through.

Over the last number of years, I have noted that as each year proceeds each president has walked with a lighter step. This has normally culminated in the incumbent president practically floating through the annual meeting at which he is at last elevated to that most envied of positions – Immediate Past President.

Henry Stalder has not deviated from this path. He is smiling broadly today and I detect a renewed spring in his step. He has every reason to be proud and happy. His efforts have been substantial and his accomplishments considerable. The report which he has submitted gives you a good appreciation of the many facets of a most successful year. However, the element which is less evident from such a written report is the personal effort and dedication which contributed so strongly to this success. I am only sorry that he will not in the next year be with us to fully enjoy his well-earned position of Immediate Past President. As many of you are aware, Henry has accepted new responsibilities with his bank in Australia, effective this July.

I know, Henry, that everyone present joins me in congratulating you on a most successful year and in extending to you and your family our warmest wishes for the future.

This is not a time for an incoming president to hold you captive when you really want to hear from today's speaker. However, I would like you to know that planning for our eighty-first season is well under way. I would also like to remind the directors of the club that we will meet for a few minutes immediately following this meeting to make preparations for our new club year.

Thank you for the confidence in me that you have exhibited. I hope that I will fulfill your high expectations.

MR. STALDER:

Now, before I introduce our guest of honour, I have three messages:

1. to a friendship of eight years: I heard, yet said not much, but thought the more!
2. to a gentleman in the audience: Yes, I had much fun at this presidency, more than some people ever will *be*!
3. to my successor: yes, it's only once in a lifetime. It's relatively short – it's relatively long. You will see.

It's a president's hard destiny that it is only once out of office that he will encounter sympathy. Therefore, I do hope that history will be kind.

APRIL 28, 1983

Politics in the Third Wave

AN ADDRESS BY The Honourable Claude F. Bennett
MINISTER OF MUNICIPAL AFFAIRS
AND HOUSING,
PROVINCE OF ONTARIO

CHAIRMAN The President,
Henry J. Stalder

MR. STALDER:

Distinguished Past Presidents, members, and guests: To introduce the Honourable Claude Bennett to you today is indeed a special pleasure, for he has been a very close friend for many years. And any politician who can be a good friend for years cannot be all that bad!

The Honourable Claude Bennett was sworn in as Minister of Municipal Affairs and Housing on July eighth, 1981. Ten years earlier, shortly after his election to the Ontario Legislature as the member for Ottawa South on October 21, 1971, he was appointed Parliamentary Assistant to the Minister of Treasury, Economics, and Intergovernmental Affairs. His appointment as Minister Without Portfolio followed on September twenty-eighth, 1972, and he was appointed Minister of Industry and Tourism on January fifteenth, 1973. Mr. Bennett was appointed Minister of Housing on January twenty-first, 1978.

Mr. Bennett had been elected to Ottawa City Council as an alderman first in 1961. He was re-elected in 1963, 1965, and 1967. He was a member of the first Ottawa-Carleton regional government from 1968 to 1970, and in 1970 he was elected to the Ottawa Board of Control to serve as Senior Controller and Acting Mayor. He became a member of the executive of the Ottawa-Carleton Regional Council in 1970 and Chairman of the Ottawa Planning Board. He entered provincial politics the following year.

As an independent insurance agent, Mr. Bennett received the three outstanding young men's awards of the Ontario Junior Chamber of Commerce in 1968. In 1979, he was named Man of the Year by the Ottawa Shrine Club. He is on the Board of Directors of the Central Canada Exhibition Association and on the Board of Trustees of Grace Hospital, both in Ottawa, and he is part owner of the London Knights Hockey Club. Ladies and gentlemen, please welcome the Honourable Claude Bennett.

MR. BENNETT:

Mr. Chairman, ladies and gentlemen: Recently, my ministry co-ordinated a conference called "The New Neighbourhood" in this hotel. One highlight of that week-long series of seminars was a speech by well-known futurist, Alvin Toffler. The audience hung on his every word – and I must admit that I have continued to think about the future direction of our society in a much different light since then. He excited our interest in the new life-style that the future holds in store for each of us. It is incumbent upon us to be prepared to move with the rapidly changing times.

There is, therefore, a burgeoning concern that we anticipate the future. The question "Where are we heading?" has, of course, been asked since time began, but in recent years, the popularity of forecasting the future has reached new plateaus. Even the term "futurist" is now considered a logical definition of a career which, if used a few years ago, would have given the vision of a carnival side show attraction.

As our society tries to keep pace with ever-evolving technological change, it would seem logical that we examine the direction in which political forces, and now particularly, governments are heading in the years ahead. Politics seems to be one sphere of society that full-time professional futurists have not yet completely analyzed: and yet it could readily be argued that politicians must be the consummate futurists if they are to survive personally.

The most obvious impact on politicians is the new age of instant and global communications. From semaphore to telegraph to microwave and from television to home computers, Ontario has taken gigantic steps forward. The satellite is cost-insensitive to distance. It brings the world to our homes and institutions. There is no doubt that ever-faster communications are having a tremendous impact upon society as we have known it. But, for politicians, the new speed-of-thought transmission is a two-edged sword.

With our new electronic society, we are capable of putting our demands for change to a politician instantaneously. Yet, through the nature of our system, we expect that politicians will make immediate, considered, and thoughtful decisions. Society demands, in fact, that many traditional systems be altered slowly so that the imbalances that are effected by change will not adversely influence certain segments of that society. Elected officials must deliberate under fire, criticism, and suggestions from whomever the opposition may be – even immediately after the vast majority of the population has given its support to those elected officials. The intention is just, and designed to protect the minority groups in our society. Its application in today's world becomes obviously more and more difficult.

The speed with which we, as politicians, adapt to change is a problem we must consider and solve. If we do not face it squarely and openly, we risk other alternatives – namely, that the institutions once designed to permit public scrutiny and judgement of the political process will become more ritualistic and less revealing, or more show and less tell. An example of melding the old and the new is the now-accepted practice of televising legislative proceedings. That step serves a public purpose. Such electronic attendance allows interested taxpayers to be present during important debates and is thereby a worthwhile application of technology to the principle of open government.

But this is also a perfect example of what I am talking about – it is an unsatisfactory marriage of the old and new. No television producer would ever arrange his performers in rows reaching from here to eternity; and no director would really want to have to swing his cameras around to find randomly selected solo performers in a large chorus onstage. Of course, some players have quickly learned to pre-script their scene so that cameras can easily locate them as they move into the spotlight.

This is one very simple example of the questions we must face in the political communications field. How much should we change the institution in the hopes that better television will attract a wider audience? Assuming that having people watch parliamentary and legislative debates equals more involvement in the process, whose responsibility is it to nourish that involvement? Should the politician somehow be a better performer? Should we do as the television evangelists do and conduct our affairs in studios decorated to suggest the appropriate institution? Or, do we simply leave the activity untouched and let taxpayers themselves decide whether they want to bother tuning in? These questions are easily framed when we look at televising legislative debates, but what about the other aspects of the political process? Here is where it becomes complicated. In fact, the logical use of electronic technology to reach out to constituents is often not the answer sought by individual voters.

Consider that we are in an age where we are used to receiving much of our information through modern electronic hardware, whether it be home computers hooked up to the Toronto Stock Exchange by telephone or the common television – that statement in itself, "common television," shows how far we have come. We are living in an age when we are used to making judgements based on information coming through some kind of machine.

But is that where politics is headed? If so, why is it that successful politicians know that if you want to get votes you have to go out and stand physically on doorsteps and ask in person for that vote? From my personal point of view, that situation is ideal – it happens to be my style of campaigning and it will not change.

If you think about it, the efficiency of reaching out electronically is clear. In any election, it would be possible to carry more ideas into homes by television than by walking around knocking on doors. But I will tell you that in this province, certainly in the riding of Ottawa South, the average person says, "Efficiency be damned. If you want my vote, then you had better be prepared to come and ask me for it personally." People want to know that their elected leaders care about them. They want a demonstration that human considerations remain important in the democratic process.

In Ontario, we are undertaking some major activities designed to make people, rather than systems, more readily accountable. In my own ministry for example, we have, after the longest, most public-responsive process we know of anywhere, introduced a new planning act. The new act forces more planning decisions to be made at the level of the individual municipality. It means decisions will be made closer to home, presumably with at least a touch more sensitivity to local needs than is often the case when final decisions are made in what seems to be "far-off" Queen's Park. That is a trend you can expect to see continue in many facets of this government.

The senior levels of government are saying that decisions such as those in planning should be taken back as close to the public as possible, and those decisions should be attached, as much as possible, to a local, elected person who can be held responsible. The Planning Act, as I have said, is illustrative of a trend in government to shorten the communications line between the taxpayer and the politician responsible for a specific decision. It is a healthy attempt to move the mountain to Mohammed.

Now, if we ask elected leaders at the municipal level to make more decisions in a society which grows daily more complex, we must make other changes as well. We must encourage local leaders to be far-seeing – in other words, to be community futurists. It is with this in mind that the length of term for Ontario municipal leaders was expanded to three years. I believe the longer period will give local officials time and political will to make their views known and their promises come true.

The political process can be adjusted with the changing times, and can be adjusted further to work with changing technology. But it is imperative that before we insert a piece of electronic hardware into the communications system, we take great care. We must ensure that we are adding something useful rather than increasing the buffer zone between the politician and the voter. As an example, a few days ago some of my staff attended a meeting consisting of several electronic media people and municipal clerks. The subject was to look at ways of speeding up the municipal election returns using the newest innovations in computer technology. A presentation by that industry clearly pointed out that computerized ballot boxes could be produced; a voter would simply fill out a computer-card ballot and watch the machine swallow it up. If each polling station were hooked up centrally, within minutes after the polls closed complete results would be available to the public. Very efficient, very expensive of course, and very impersonal. Whether it would be good or bad is a matter for conjecture and debate.

What else can we expect in the decades ahead in the political world? One thing for sure, the public and the media will tire of the endless publicity stunts staged for cameramen by special interest groups. Already, in order to get the camera's attention,

The Honourable
Claude Bennett,
Minister of Municipal
Affairs and Housing,
Province of Ontario

demonstrators are becoming more and more unruly. The closer to the edge of the law a group pushes, the more newsworthy it seems to be. That trend will change soon.

It will change because viewers are getting bored watching people who grab a sign and run in front of the camera as their very first method of communication with any authority. When viewers become uninterested, the news directors will stop showing protest groups and will find other visuals to illustrate the news. When that happens, the use of the camera as bully will end. Then the protest groups can pack away their signs, fire their publicity directors, and start to talk at a normal volume – much like the vast majority of us.

And this brings me to what I believe will be the greatest change in our political society in the next two decades. It will be the quiet, insistent demand of the majority for reason and decency. Some years ago, we were all familiar with the term "the *silent* majority." That was a group whose opinions one didn't know until voting day. A hard group to predict. That was "the *silent* majority."

I believe there is, in our country, a group which I call "the *patient* majority." They are the women and men, I know there are many in the audience today, who say, "I've been patient long enough. My country may not be perfect but it's pretty damn fine. And my political system is the best that's been invented yet. And I'm not going to let the radical edge of any cause or movement violate what I stand for."

That will be the most dramatic and exciting development in the near future, ladies and gentlemen. It will occur when the *patient* majority stops turning the other cheek. When you stop turning the other cheek, you find yourself looking your opponent straight in the eye. And beyond the opponent you see where you want to go. And if you are truly the majority, you go there. And you take your country along with you.

There will be other changes directly affecting the world of politics and government. One will be the further evolution of the "open government" concept. What we can expect is that as governments strive to satisfy the taxpayers' right to know, they will increasingly make use of the emerging technologies. So it won't be long before the taxpayer will expect to ring up government officials and have them pop up on their screen at home with answers or explanations or advice. This will be the logical extension of the present trend for public servants to respond more directly to the citizen. One could say that already, public servants are more public in their service.

We talk about a "one-window" approach in government in Ontario. That means, of course, a simplified access process; making government easier to talk to, if you will. It's inevitable, I think, that today's "one window" will be tomorrow's "one video screen." For all of us, our major window on the world, not just on government, will be a video screen. I suppose, human beings being what we are, in government as elsewhere, that we will quickly develop interministry rivalry over our relative viewer ratings.

The new technology will also work in both directions, of course. It will be easier to look in on government. It will also be easier for government to keep up to date on the activities of client groups, in my case, municipalities.

You will soon see, I believe, government grant and incentive programs operated and reported on by computers. Some of our programs are heavily computer-controlled now. Think how easy it would be to create a program in which the feedback was instantaneous. A simple example might be a housing or job creation program funded by the Province of Ontario and administered by municipalities under predetermined guidelines. By just sharing a data base with the municipalities and the banks and a few government offices in Toronto, we could do all the transactions at computer speed – scan applications, approve, transfer funds, and report. All this could be accomplished in seconds.

Such instant reaction will also provide immediate success or failure reports on programs. It would allow governments to make early adjustments in programs which seemed to fall below anticipated take-up. This leads us then to the point where we have the capacity to work with shorter life cycles for programs. In turn, programs could be more carefully customized to meet various seasonal or economic stimulus needs. And beyond that, customizing could be adapted to allow for regional differences and an endless variety of specific interests or needs.

In an increasingly complex world, the capacity to adjust quickly to assure spending efficiency is much to be desired. The new technology will help us in government to be even more efficient in utilizing tax dollars to improve the standard of life. And you know, ladies and gentlemen, the new technologies have so much to offer that they will make a place for themselves. It's just a question of how quickly.

The real challenge isn't the new, it's the old. The old in this case is us – people. We are the part of the system which can't be programmed for instant, happy change. On the contrary, we tend to resist change.

The weight lifters and body-builders have an expression that guides their exertions. It is "no pain, no gain." What you and I have to decide is how much pain we wish to put our society through in order to build our technological muscles. Certainly, to remain abreast of the rest of the world we must make some progress. That means some changes. That means some discomfort or pain. Some will be specific such as job dislocation and variations in regional prosperity. Some pain will be personal and mental. We're human – a lot of what's happening is overwhelming and frightening to many of us.

That is the atmosphere in which politicians will perform and be judged in the years ahead. Elected leaders will be expected to point the way to a world that seizes every technical opportunity. At the same time, those leaders will have to provide constant assurances and demonstrations that people come first. We want, as people, to walk through a changing world hand in hand.

This challenge is presented to us coincident with a point in history when the security and stability provided by the traditional family unit is no longer available to many. More and more people are living alone. In this city, two out of five households comprise just one person. We can conclude that many of those people are looking to society to offer them some stability, some sense of belonging, some feeling of being wanted. We can't tell them to go and talk to a machine.

We have to do the opposite, in a way. As we give hardware a larger place in our lives we have to make sure it does not displace human contact. That's easy to say – not quite so easy to do.

My instincts tell me that one of the touchstones people look to for stability is our political system. Individual politicians may come and go. But the system is based on respect for human values. It's not perfect but its checks and balances offer us a continuing sense of belonging. The free system we live under expects and demands that we be honest, for instance. Think how much dignity that one fact provides us.

Politicians are only part of the system. The concepts and the traditions are larger than any politician. People want it that way. People need it to be that way. It doesn't require much humility for any politician to recognize that. If he doesn't have that much humility to begin with, a close election or two will provide it.

It is also true that the system must be bigger than the new technology and the information revolution and all the other things that represent change in this era. The politician who would serve his or her community well is the one who will look first to the needs of the people. Then, with those needs firmly in mind, the elected leader will seek to make our new discoveries satisfy those needs. There is no satisfaction in progress that serves no one.

I want you to believe me when I say that I embrace happily much of what is new in science and technology today. Nevertheless, I urge you, as I urge myself, not to become so enamoured with the power and efficiency of the new that we forget the important old things – the human things. We must remember that machines and science serve people, not the other way around. Paradoxically, ladies and gentlemen, if you are to find leaders who will bring us the greatest benefits of technology, you must elect politicians who put people first. And if there are any potential politicians in the audience looking for advice from me, I can put it simply, "Don't push a button. Shake a hand."

The appreciation of the audience was expressed by Harry T. Seymour, incoming Second Vice-President of The Empire Club of Canada.

1983–84 *Officers and Board of Directors*

Honorary President	His Excellency the Rt. Hon. Edward Schreyer, C.C., C.C.M., C.D. Governor General of Canada
Honorary Vice-President	The Hon. John Black Aird, O.C., Q.C., B.A., LL.D. Lieutenant Governor of Ontario
Honorary Chairman	His Excellency the Rt. Hon. D. Roland Michener, P.C., C.C., C.M.M., C.D., Q.C. Former Governor General of Canada
Honorary Chaplain	The Very Rev. Ernest M. Howse, S.T.M., PH.D., D.D., LITT.D.
Honorary Secretary	Willis L. Blair
Honorary Treasurer	Marvin Gelber
Honorary Solicitor	H. Allan Leal, LL.M., LL.D., D.C.L., Q.C.
Honorary Assistant Secretary	George O. Stafford

Officers

President	Douglas L. Derry, F.C.A.
First Vice-President	Catherine R. Charlton
Second Vice-President	Harry T. Seymour
Third Vice-President	Montague Larkin, C.A.
Secretary	J. Patrick Boyer
Treasurer	Diana L. Chant, C.A.
Archivist	Leland H. Ausman
Editor Empire Club Yearbook	A. Carlyle Dunbar

Directors

Setrak Adourian
BGen. S.F. Andrunyk, O.M.M., C.D.
Sarah A. Band
Richard J. Bennetts
Jean Casselman Wadds
Robin J.T. Chetwynd
Paul D.J. Clark
Jerry A. Collins
Clarence B. Crummey, M.D., F.C.F.P.(C)
The Hon. Barnett J. Danson, P.C.
Ronald Goodall, C.A.
Lorraine Gotlib, Q.C.
Col. Paul A. Hayes
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Chas. C. (Bud) Hoffman
BGen. Reginald W. Lewis, C.D.
John P. MacBeth, Q.C.
Nona Macdonald
John A. MacNaughton
H. Dennis Madden
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Leslie C. Parkinson
Bruce Rankin
Rev. Harold F. Roberts
Robert A. Robertson
Jean-Pierre Scheidegger
Margaret Scrivener, M.P.P.
Lindsay K. Shaddy
Reginald Stackhouse, B.A., M.S., LTH., B.D., PH.D.
Gordon G. Steele, M.COM.
LCol. Hugh P. Stewart, C.D.
Terrence Tyers
J.A. Wm. Whiteacre, M.M., C.D., Q.C.

Constitution

As amended April 26th, 1973

ORGANIZATION OF THE CLUB

ARTICLE I

Name

1. The name of the club shall be The Empire Club of Canada.

Purpose and Object

2. The purpose and object of the club is to promote the interests of Canada and the British Commonwealth by the consideration and discussion of subjects and events relating thereto and by any other means appropriate to the facilities of the club.

MEMBERSHIP

ARTICLE II

Classes of Members

1. The membership of the club shall consist of:
   (a) Honorary members
   (b) Life members
   (c) Regular members
   (d) Corporate members

   All members of classes (a), (b), (c) must be the full age of eighteen years.

Honorary Members

2. Honorary members may be elected by the unanimous vote of those present at a meeting of the board of directors. They shall be exempt from the payment of fees but shall not have the privilege of voting or holding office and their membership shall be terminable at any time by a two-thirds majority of those present at a meeting of the board of directors.

Life Members

3. Members of the club in good standing (other than corporate members) and other persons regularly proposed may be elected life members by a two-thirds majority of those present at a meeting of the board of directors. Life members shall pay such a fee in one sum as may be fixed from time to time by the board of directors.

Regular Members

4. Save as provided in Section 5 of this Article candidates for regular membership shall be proposed by a member in good standing and shall be elected by a two-thirds majority of those present at a meeting of the board of directors.

   Save as provided in Section 5 of this Article regular members shall pay respectively such annual fees as may be fixed from time to time by the board of directors. Members elected after the first day of March in any year shall pay one annual fee only in respect of the period from the date of election until the thirtieth day of September in the following year. No member in arrears for fees after January 1 shall be considered in good standing.

Corporate Members

5. Any company, partnership or business organization shall be eligible for election as a corporate member. Applicants shall be proposed by a member in good standing and the application shall contain the names and positions of the persons nominated by the applicant as its representative regular members. The applicant and its nominated representatives shall be elected by a two-thirds majority of those present at a meeting of the board of directors. A corporate member shall be entitled to nominate such number of its representative regular members as may be fixed from time to time by the board of directors and shall pay such annual fee as may be fixed from time to time by the board of directors, provided that such fee shall not be less than the

aggregate fees which would have been payable on an individual basis by such representative members for the year in question. Save as in this section provided no fee shall be payable by or in respect of the representative regular members of a corporate member.

DIRECTORS

ARTICLE III

Duties and Powers

1. The affairs of the club shall be managed by a board of directors who may exercise all such powers and do all such acts and things as may be exercised or done by the club and are not by the by-laws or by law directed or required to be done by the club at a general meeting of its members. At all meetings of the board of directors the Chairman of the meeting shall have a casting vote.

Number and Quorum

2. The board of directors shall consist of forty members of whom sixteen shall constitute a quorum. The board of directors shall include at least four past presidents of the club, one of whom shall be the immediate past president and three others shall be the three past presidents immediately preceding the immediate past president if they are willing and able to act as directors.

Election of Directors

3. A nominating committee consisting of five members of the board of directors and four other regular members of the club shall be appointed annually by the board of directors at least thirty days prior to the annual meeting and shall prepare a list of nominations for directors for the ensuing year. The chairman or acting chairman of the nominating committee shall report the nominations of that committee to the annual meeting at which the board of directors shall be elected, but nothing herein shall preclude the nomination of

other persons for the office of directors at the annual meeting. If nominations do not exceed the number of directors necessary, the chairman of the meeting may instruct the Secretary-Treasurer to cast one ballot in favour of those so nominated and thereupon such persons shall be declared by the chairman to have been duly elected. No person shall be elected a director unless he is a regular member in good standing and is a Canadian citizen or a British subject.

Meetings of Directors

4. Meetings of the board of directors shall be called by the President, or on a requisition signed by three of its members. Written notice of such meetings shall be given to each director five days or more before the meeting is to take place, provided that a meeting may be held at any time if all the directors are present or if those absent have waived notice of or otherwise signified their consent to such meeting being held in their absence or have approved or signified their approval in writing to the proceedings taken at the meeting. The board may appoint a day or days in any month or months for regular meetings, at an hour or place to be named, and of such regular meeting, no notice need be given.

Casual Vacancies

5. In the event of any vacancy occurring in the office of director, the remaining directors may fill the vacancy from among the members for the unexpired portion of the term of office of the person whose office is vacant.

OFFICERS

ARTICLE IV

1. The officers shall consist of an Honorary President, an Honorary Vice-President, a President, First, Second and Third Vice-Presidents, an Honorary Treasurer, an Honorary

Secretary, a Secretary and a Treasurer. The board of directors may from time to time elect or appoint such other officers as it shall deem necessary. The President and the Vice-Presidents shall be directors of the club but other officers need not be directors. No person other than the Honorary President and the Honorary Vice-President shall be eligible for office unless he is a member in good standing. The President shall, when present, preside at all meetings of the members and of the board of directors. During the absence or inability to act of the President, the Vice-Presidents in order of seniority shall act as Chairman at such meetings and otherwise perform and exercise the duties and powers of the President.

Appointment of Officers

2. The board of directors shall meet as soon as convenient after their election for the purpose of appointing the officers of the club for the period ending April 30 in the next year but each officer shall continue in office until his successor is elected.

Casual Vacancies

3. In the event of a vacancy occurring in any office the board of directors may fill the vacancy for the unexpired portion of the term.

Honorary Auditor

4. An Honorary Auditor shall be appointed at each annual meeting. An audited statement of the finances of the club for the fiscal year shall be published annually and a copy shall be sent to each member.

COMMITTEES

ARTICLE V

1. The following standing committees and the chairman of each shall be appointed by the board of directors as soon as convenient after the election of the board:

(a) Budget and Finance Committee
(b) Speakers' Committee
(c) Membership Committee
(d) Constitution Committee
(e) Reception Committee
(f) Publicity and Public Relations Committee
(g) Yearbook Committee
(h) Head Table Committee

provided that for any year the board of directors may by resolution elect not to appoint any one or more of such committees.

2. The President or the board of directors may from time to time appoint such other committees as may be deemed expedient.

MEETINGS OF MEMBERS

ARTICLE VI

General Meetings

1. The club shall hold general meetings weekly, if possible, from October to April, both inclusive, in each twelve months with such intermissions as may from time to time be determined by the board of directors. Special meetings of the club may be called at any time by the President.

Annual Meeting

2. The annual meeting shall be held not later than April 30 in each year. At the annual meeting a report of the year's proceedings and work shall be submitted by the President and this report shall be accompanied by an interim report from the Secretary-Treasurer.

Notice of Meetings

3. Written notice of all meetings of members shall be given all members of the club before the date on which the meeting is to be held. Such notice shall be sufficient if addressed to the members, and deposited post paid in the post office in

Toronto. The accidental failure or omission to give notice to any member shall not invalidate the proceedings at any meeting.

Quorum at Meetings

4. Sixteen members in good standing shall constitute a quorum at any meeting of the club, general, annual or special, and the Chairman of the meeting shall have a casting vote.

Limitation of Business at General Meetings

5. No business other than the hearing of the addresses shall be introduced at any meeting of the club by any person other than the chairman of the meeting, unless it has been submitted to the board of directors and received its approval.

FISCAL YEAR

ARTICLE VII

The fiscal year of the club shall end on such day in each year as may be fixed by the board of directors but unless so fixed by the board shall end on April 30.

AMENDMENTS

ARTICLE VIII

Subject to the provisions of The Corporation Act this constitution may be amended by the board of directors, but unless in the meantime confirmed by a majority of the members present in person at a meeting of the members duly called for that purpose, any amendment is effective only until the next annual meeting of members unless so confirmed thereat and, in default of such confirmation thereat ceases to have effect at and from that time, and in that case no new amendment of the same or like substance has any effect until confirmed at a meeting of the members.

Membership

HONORARY MEMBERS

Comber, Walter W.
Gardiner, F.G., Q.C.
Kemp, A.S.H.
McIntyre, W.M.
Michener, The Rt. Hon. Roland, P.C., Q.C.
Ralph, R. Ford
St. John, J. Stanley

LIFE MEMBERS

Adams, N. John
Alexander, J.D.
Alexander, John P.
Allan, William N.
Ambrose, Graham H.
Anderson, D.S.
Ausman, Leland H.
Bagnato, Victor V.
Bassett, John
Baxter, Ian S.
Beare, S.E.
Beatty, D.S.
Belyea, Everton R.
Bennett, Miss Ferne
Bennett, Dr. Ross C.
Best, Douglas W.
Blair, Willis L.
Borins, Norman
Broad, R.L.
Brooks-Hill, F.B.
Brown, Arthur E.
Burke, E.T.C.
Campbell, W. Allan
Carter, Charles
Carter, Edward
Caswell, W.A., J.P.
Chatterson, Harvey
Chetwynd, Sir Arthur R.T.
Clark, H. Spencer
Corey, George A.
Cotterill, Benedict G.R.
Craig, LCol. John A.D.
Cranfield, Dr. Harold V., M.D., F.R.C.P.(C)
Crummey, Clarence B., M.D., F.C.F.P.(C)
Damiani, G.C., Q.C.
Davies, Bertha E.
Deacon, Fraser
Del Zotto, Elvio
Douglas, LCol. R.G., C.ST.J., C.D.
Duncanson, A.A.
Dungey, E.B.
DuVernet, E.A., Q.C.
Eaton, Donald L.H.
Etherington, Joseph L.
Evis, Frederick A.,Q.C., M.D.
Fabbro, J.J.
Forsdike, Frank E.
Frost, LCol. C.S. Jr., Q.C., C.D.
Funston, Hilliard T.
Gibson, George Raymond
Gore, Graham M.
Graham, John W., Q.C.
Graham, Kenneth G.
Griffin, Ian
Griffin, John W.
Groom, Robert Glenn
Hamilton, E.H.P.
Hargraft, George M.
Haussmann, Rudi
Hellyer, Hon. Paul T., P.C.
Hermant, Adam B.T.
Hermant, John D.
Hermant, Peter
Hermant, Sydney
Hilborn, Col. R.H.,M.V.O., M.B.E., C.D.
Hobbs, Dorothy
Holota, Dennis
Horsley, Stephen Y.
Howell, Mrs. E.
Hughes, James O.
Inwood, A.E.M.
Irwin, John F.
Jackman, H.N.R.
Jackman, W. Henry
Jervis, John
Jones, Trevor L.
Joyce, James H.
Jung, Frederich W.
Jupp, LCol. D.H., O.B.E.
Karn, Mrs. Elfreda W.
Karn, William M.
Kemp, John
King, Christopher C.

Kitchen, Rev. Sterling J.
Lacey, Mrs. Aileen M.
Lambert, A.T.
Lawson, H.R.
Legge, MGen. B.J., C.M.M., C.ST.J., E.D., C.D., Q.C.
Lehner, Frederich N.
Leman, Arthur S.
Lennox, Gordon
Loftus, R.G.
Luciano, Joseph F.
Mackinnon, Angus
Marshall, George L.
Martin, J. Andrew, C.A.
Matthews, A. Bruce, C.B.E., D.S.O.
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Hayos, Andrew R.
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Hazell, Tom P.
Haytchouk, Nelly
Heaman, Miss Lynne D.
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Heaslip, W.A.
Heath, Jack L.
Heath, Wm. B.
Heathcote, F. Bruce
Heffernan, Gerald Robert
Heffernan, Peter F.J.
Hehler, Eckhart
Held, Bryan H.
Helland, Ms. Fay
Henderson, Art C.
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Henderson, G.A.
Henderson, John C.
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Henry, William D.
Henschel, Arthur W.
Herchmer, Lawrence S.
Hermant, Kathleen

Herrick, John D.
Herridge, W.R.
Herring, George A.
Herron, John S.
Herz, Dr. C. Karel
Hess, Bruno
Hewitt, Mary-Francis
Hickman, Rodney J.
Hicks, Martin R.
Higgins, Brian T.
Hildreth, Walter E.
Hill, Harry D.L.
Hill, Jane
Hill, Maj. R.J., C.D.
Hill, W.D.
Hill, William S.
Hilliard, LCol. R.R., C.D., A., D.E.C.
Hillyer, Most Rev. Nelson D.
Hilton, David A.
Hinds, Thomas
Hinchcliffe, Mark A.
Hines, W.J.
Hinton, R.H.
Hird, Harold S.
Hitchins, Capt. Douglas H.
Hobbes, H.R.
Hockin, Alan
Hodge, George E.
Hogan, J. Timothy
Hogg, Roy D.
Holloway, Reginald Eric
Holmes, B.T.
Holmvall, Leif
Holt, John A.
Hooper, Wayne
Hope, Cedolph
Horan, Sir C.J. III, K.H.S., O.B.E., F.C.C.C.
Hore, John E.
Horsey, G.
Horton, E.A.
Horton, Michael
Horvitch, Sonita
Houde, Denyse
Houser, Bruce
Houston, Stan D.
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Howard, D. Elizabeth
Howard, Shirley E.
Howe, J. Patrick
Howitt, Dr. John R.
Howland, Hon. Chief Justice W.G.C.
Howlett, Keith E.
Howsam, Air Vice-Marshall G.R., C.B., M.C.
Howse, Very Rev. Ernest M., S.T.M., PH.D., D.D., LITT.D.
Howson, Jean L.
Hudson, Adrian S.
Hudson, John Parkes
Hughes, Campbell B.
Hughes, Samuel F.
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Hume, F.R.
Humphreys, Sid
Hunter, Ms. Carol
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Hunter, R. Douglas S.
Hunter, Mrs. Yvonne A.
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Hutchison, Wm. G.

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Innes, Heather D.
Irwin, A.B.
Irwin, D.D.
Irwin, John W.
Istona, Margaret
Istona, Mildred
Ivany, Dr. Randall
Ivey, C. Robert

Jackman, Rev. Edward J.R.
Jackman, Frederic L.R.
Jackman, Nancy R.
Jackson, Miss Aileen
Jackson, Bernice
Jackson, C. Christopher
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Jackson, LCol. M.I., C.A.
Jackson, Pamela
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James, Jerry
James, K.M.
Jameson, A.G.
Jamieson, T.G.
Janik, Anthony
Janthur, H.J.
Jarvis, Don

Jasson, R.W.
Jenkins, Clifford R.
Jensen, Tor
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Johnson, Sidney
Johnson, Tom
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Johnston, Norman M.
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Jones, William A.
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Justrich, Willi

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Khoorshed, Minoo
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Koch, Dr. Ernst-Gunther
Koffler, Murray B.
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Kololian, Vahan
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Kunnapuu, John

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Langford, G.K. Q.C.
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Lefebvre, Lynn A.
Lefevre, Olivier
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Le Masurier, Murray A., U.E.
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Lescouzeres, N.
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Lessmann, Wolf-Dietrich
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Lewis, Gloria E.
Lewis, J.M.
Lewis, James D.
Lewis, BGen., R.W., C.D.
Lewis, Donald P.
Lewis, W. David G.
Libbey, James E.
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Lilly, W. Donald, Q.C.
Lind, Alex U.
Lindegger, Robert
Lindsay, Donald
Lindsay, Harland C.
Lindsay, Sid
Lindsay, Dr. W.R.N.
Ling, Tom
Ling, Winston
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Little, Natalie M.
Lissaman, D.H., Q.C.
Lloyd, C.W.
Lloyd, Miss Hillery J.
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Lockhart, Very Rev. Dr. Wilfred C.
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Logan, R.G.
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Lorie, Richard B.
Lorriman, Scott
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Lyon, Dr. W. Kirk
Lyons, J.S.

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MacGrath, Shaun
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MacKay, Stuart
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Manning, J. Douglas
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Marini, Guido, Sr.
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Markham, C. Ian
Markiewicz, W.
Marks, June
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Martin, Helmuth
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Martinez, M.C.
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Martyniuk, Dr. F.J.
Maryanka, Yuda
Mascall, David W.
Mason, Reginald E.
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Masters, Mary
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Matheson, David Ian

Matheson, R.J.
Mathews, David James
Mathieson, LCol. G. Irvine
Matthew, Malcolm G.
Mauger, Malcolm J.
Mawson, K.
Mayer, Anne P.
Mayhue, Daniel
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Maynard, Murray R.
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McCallum, Donald R.
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McCarthy, Joseph C.
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McClure, G. Chester
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McCollum, John
McConaghy, James A.
McCord, W.W.
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McCutcheon, F.Y.
McDonald, Bruce C.
McDonald, G. Campbell
McDonell, Gordon C.
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McIntosh, John Spence
McIntosh, Lance
McIvor, Adam
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McKay, Winfield
McKegney, Dr. R.S.
McKenna, LCol. J.C., C.D.
McKennedy, John A.
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McKenzie,Margaret
McKey, Stuart T.
McKinlay, R.A.
McKinnon, Sheila C.
McLachlan, William L.
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McLenaghen, T.N.
McMillan, Catherine D.
McMillan, Donald
McMinn, Bruce A.
McMorran, Robert
McMorran, S.R. (Bud)
McNabb, Barbara
McNally, Ken
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McNeil, Miss Eileen R.
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McVitty, E.H., Q.C.
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Medland, J.W.R.
Meech, R.C., Q.C.
Meech, R.G., Q.C.
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Mewett, Alan W., Q.C.
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Minarsky, Dena
Mitchell, G.P.
Mitchell, John D.
Mitchell, John F.
Mitchell, Shelley G.M.
Miville, Muriel R.
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Moffatt, Miss Gertrude
Mohr, Lionel C.
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Moody, S.D.
Moog, Gerhard W.
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Morandi, Giacomo
Moreno, David A., C.A.
Morgan, Donald S.
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Morochove, Richard
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Morris, Beverley A.
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Morrison, Russell J.
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Murray, Susan A.
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Mutrie, Fergus
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Oberman, Paul D.
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Ogilvie, W.W.
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Ophelders, Ted
Opler, Paul
O'Reilly, Ian Rossa
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Orr, William K.
Osler, Patrick C.
Osler, Peter S., Q.C.
Otley, G. Roger
Oundjian, Haig
Owen, John E.
Ozols, Edmunds

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Paines, Kathleen
Pak, Raphael
Palarea-Mayorga, Fernando
Palmer, Douglas V.
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Paoletti, Michel
Paradis, H.LCol. G., C.D.
Parish, Dennis A.
Parker, E.J.
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Parkin, Barbara A.
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Parkinson, John G., Q.C.
Parkinson, Leslie C.
Parks, Captain Arthur H.
Parr-Johnston, Dr. E.
Partington, Eric
Pasiciel, Tad
Pastenak, Irwin W., Q.C.
Paterson, Dr. Norman
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Paton, Andrew
Patterson, LCol. W.E., M.B.E., E.D.
Pattison, W.S.
Paul, N.P.
Paul, Vincent P.
Pavri, Zareer N.
Payne, David
Payne, Harold A.
Payne, Ralph B.
Paznar, Frank J.
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Peatfield, D.E.
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Prince, H.R.
Pringle, Donald M.
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Protter, Bernard
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Regan, Major Neil H.
Reial, Ms. Militza
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Richardson, Joseph Ward
Richardson, Thomas A.
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Riegert, John F.
Riehl, Gordon W.
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Ritchie, Cedric E.
Ritchie, General Sir Neil
Robbie, R.G.
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Robertson, J. Bruce
Robertson, Jessie
Robertson, Julie

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Robinson, W.A.
Robinson, W. Kenneth
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Robus, Walter R.
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Rogers, Thomas A.
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Rollo, H.J.
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Romeike, H.G.
Roncevic, Dr. D.
Roode, Peter E.
Rooney, Mrs. Ruth
Root, Claude M.
Roper, Christopher J.
Rosemont, Mrs. Monica
Ross, Barry A.
Ross, James D.L.
Ross, N. William
Ross, Russell
Roth, Samuel M.
Rowcliffe, Katherine
Rowlands, June
Royes, Lewis T.
Rubie, K.M.
Rubin, David A., Q.C.
Rudge, M.L.
Russell, Mrs. Bernice
Russell, J. Keith
Russell, John Winter
Rutledge, G. Harvey
Rutledge, Timothy J.S.
Ryley, A.C.
Ryman, Florence

Sabia, Laura
Sabia, Maureen Joan
Sabine, J.W.
Sabirsh, Clifford A.
Sadleir, Rev. Ralph R.
Sagel, J. Frederick
Saguy, Gideon
St. Germain, Marie
St. Louis, Richard D.
Salmon, C.R.B.
Salter, Dr. Robert B.
Saltzman, Kenneth L.
Samples, R. McC., C.M.G., D.S.O., O.B.E.
Sampson, John F.D.
Samworth, Marion E.
Sanderson, Horrell
Sandori, Paul
Santo, Miles
Saringer, John H.
Sasaki, Jun
Saunders, David
Saunderson, Wm. J.
Savage, Thomas H.
Saville, Frederick A.
Scanlan, LCol. P.D., D.F.C., C.D.
Scanlon, Alayne
Schacter, Leo E., Q.C.
Schatz, Mrs. Marie
Scheidegger, Jean-Pierre
Schipper, Norman H.
Schmick, Dr. Jochen
Schmida, Walter G.
Schoales, Michael
Schoelch, Frank F.
Schroeder, Walter
Scott, Allen N.
Scott, Charles E.
Scott, D.N.
Scott, Graham W.S.
Scott, J.K.
Scott, Mrs. Lynne R.
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Scott, Thomas Oliver
Scrivener, Margaret
Scythes, Robert D.
Searle, Stewart A.
Seck, Abdou
Sedal, Otto
Seddon, Freda
Sedgwick, G. Gordon
Seeley, R.M.
Segal, Hugh
Segsworth, Miss K.J.
Self, R. Harvey
Sellar, G.M.
Sellers, Dr. A.H.
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Sewell, Wm. S.
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Shaw, Ian A.
Shaw, John B.
Shaw, Johan
Shea, M. Kevin
Shea, Thomas
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Sheppard, M.E.
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Sideratos, Judge M.
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AUDITORS' REPORT

To the members of
The Empire Club of Canada

We have examined the balance sheet of The Empire Club of Canada as at 30 April, 1983, and the statements of members' equity and revenue and expenditure for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Club as at 30 April 1983 and the results of its activities for the year then ended in accordance with the accounting principles as set out in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

DUNWOODY AND COMPANY
CHARTERED ACCOUNTANTS

Toronto, Ontario
28 June 1983

THE EMPIRE CLUB OF CANADA

BALANCE SHEET AS AT 30 APRIL 1983

ASSETS

	1983	1982
Current		
Cash and short term deposit receipts	$78,505	$83,391
Accounts receivable	2,747	1,912
Inventory, note 1	333	1,177
Investment, note 2	5,757	—
	87,342	86,480
Investment	—	5,757
Fixed, note 1	1	1
	$87,343	$92,238

LIABILITIES

Current		
Accounts payable	$ 5,942	$ 8,365
Due to The Empire Club Foundation, note 1	37,611	49,983
Membership fees and luncheon tickets paid in advance	5,405	5,050
	48,958	63,398

MEMBERS' EQUITY

Life Membership Reserve, note 2	17,300	16,500
Surplus	21,085	12,340
	38,385	28,840
	$87,343	$92,238

Commitment, note 3
Incorporation, note 4

Approved on behalf of the Board

Henry J. Stalder } Directors
Ronald Goodall }

THE EMPIRE CLUB OF CANADA

STATEMENT OF MEMBERS' EQUITY FOR THE YEAR ENDED 30 APRIL 1983

	1983	1982
Surplus, beginning of year	$12,340	$1,486
Transfer to life membership reserve	(800)	(2,500)
Excess of revenue over expenditure for the year	9,545	13,354
Surplus, End of Year	21,085	12,340
Life Membership Reserve, Beginning of Year	16,500	14,000
Add: Transfer from surplus, note 2	800	2,500
Life Membership Reserve, End of Year	17,300	16,500
	$38,385	$28,840

THE EMPIRE CLUB OF CANADA

STATEMENT OF REVENUE AND EXPENDITURE FOR THE YEAR ENDED 30 APRIL 1983

	1983	1982
Revenue		
Membership fees	$ 55,936	$ 60,275
Luncheons – net	29,548	24,042
Interest	8,465	9,089
Other – net	8,465	9,089
	102,188	100,375
Expenditure		
Members' notices	24,176	18,550
Office salaries and employee benefits	27,998	26,849
Yearbook donation and sundry expenses	17,685	22,252
Publicity and promotion	2,350	969
Printing, stationery and postage	7,334	7,743
Rent	5,554	5,008
Meetings	3,704	2,210
Office and general	2,831	2,523
Telephone	1,011	917
	92,643	87,021
Excess of Revenue over Expenditure for the year	$ 9,545	$ 13,354

THE EMPIRE CLUB OF CANADA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 1983

1. *Significant Accounting Policies*

   The following is a summary of significant accounting policies of the Club:

   (a) Inventory

   Inventory is valued at the lower of cost and net realizable value.

   (b) Fixed Assets

   Fixed assets, consisting of office furniture and equipment, are recorded at nominal value and additions are recognized as an expenditure in the year acquired.

   (c) Due to The Empire Club Foundation

   A donation to The Empire Club Foundation for the estimated cost of supplying the Club's membership with the yearbook of the current year is accrued each year. The balance represents the estimated costs of unpublished yearbooks.

2. *Life Membership Reserve*

   Term deposit receipts are segregated as funding for this reserve in order to provide a continuing income to sustain the membership costs of life members. The reserve has been increased by $800 (1982 – $2,500) in the current year to allow for increases in the life membership roll.

3. *Commitment*

   The Club occupies office space under a lease agreement expiring 30 September 1987 at an annual rental to be negotiated, which it shares with another society.

4. *Incorporation*

   The Club was incorporated under letters patent in the Province of Ontario on 26 March 1912. The principal function of the Club is to provide a forum for prominent people to address members of the Club and their guests on topics of current interest.

The Empire Club Foundation

I am grateful to Mr. A. Carlyle Dunbar for having been the Honorary Editor of the Empire Club yearbook for 1982–83, a year distinguished by the presidency of Mr. Henry Stalder, who has now moved to Sydney, Australia, with the Union Bank of Switzerland.

The Empire Ball was a great success in 1983, and we are grateful to Colonel the Honourable Pauline McGibbon and Mr. Donald McGibbon for being Patrons of the Ball, which was organized by Miss Catherine Charlton.

As always, the Empire Club Foundation continues to flourish because of the splendid volunteer work of the Directors, the Officers, the Honorary Secretary, and the Honorary Treasurer. Their work, along with the generosity of our donors, benefactors, endowment benefactors, and patrons, enables the Foundation to continue to send the Empire Club yearbook to all the English-speaking educational libraries in Canada every year.

B.J. Legge, Q.C.
President

THE EMPIRE CLUB FOUNDATION

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Past President	John W. Griffin
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General Mills Canada Inc.
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TransCanada PipeLines

*May 1, 1982 – April 30, 1983. Patrons – $1,000 or more; Endowment Benefactors – $500 to $999.99; Benefactors – $250 to $499.99; Donors – $100 to $249.99.

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*May 1, 1982 – April 30, 1983. Patrons – $1,000 or more; Endowment Benefactors – $500 to $999.99; Benefactors – $250 to $499.99; Donors – $100 to $249.99.

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*May 1, 1982 – April 30, 1983. Patrons – $1,000 or more; Endowment Benefactors – $500 to $999.99; Benefactors – $250 to $499.99; Donors – $100 to $249.99.

AUDITORS' REPORT

To the Members of
The Empire Club Foundation

We have examined the balance sheet of The Empire Club Foundation as at April 30, 1983, and the statements of income and expenses and members' equity for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of The Empire Club Foundation as at April 30, 1983, and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

SMITH NIXON & CO.
CHARTERED ACCOUNTANTS

Toronto, April 5, 1984

THE EMPIRE CLUB FOUNDATION

BALANCE SHEET AS AT APRIL 30, 1983

ASSETS

	1983	1982
Current Assets		
Cash	$20,327	$ 237
Accounts receivable	1,612	—
Due from Empire Club of Canada	37,611	49,983
	$59,550	$50,220

LIABILITIES

Current Liabilities		
Accounts payable and accrued liabilities	$34,000	$34,759

MEMBERS' EQUITY

Equity	25,550	15,461
	$59,550	$50,220

Signed on behalf of the board

B.J. Legge }
R.W. Lewis } Directors

The accompanying notes are an integral part of these financial statements.

THE EMPIRE CLUB FOUNDATION

STATEMENT OF INCOME AND EXPENSE FOR THE YEAR ENDED APRIL 30, 1983

Income	*1983*	*1982*
Donations:		
Empire Club of Canada	$11,000	$14,000
Supporters	28,276	24,126
The Empire Ball	6,533	7,907
Interest	313	98
Book sales	—	96
	$46,122	$46,227
Expense		
Yearbook	$35,670	$36,066
Stationery, postage and other expenses	363	2,988
	$36,033	$39,054
Excess of income over expense for the year	$10,089	$7,173

STATEMENT OF MEMBERS' EQUITY FOR THE YEAR ENDED APRIL 30, 1983

Members' equity – beginning of year	$15,461	$8,288
Excess of income over expense for the year	10,089	7,173
Members' equity – end of year	$25,550	$15,461

The accompanying notes are an integral part of these financial statements.

THE EMPIRE CLUB FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED APRIL 30, 1983

1. *The Foundation*

   The Foundation was incorporated on January 22, 1969, under the laws of Canada as a non-profit organization. The principal function of the Foundation is the publication and distribution of yearbooks, containing the texts of addresses to The Empire Club of Canada to the club's members and libraries across Canada. The Foundation's activities are funded by donations.

2. *Accounting Policies*

   The Foundation includes donations in income when received except for donations from The Empire Club of Canada which are included in income when pledged. The estimated cost of publishing and distributing yearbooks of the current year is accrued each year.